

| Planning by | Reviewed | Performed by | Final review |
|-------------|----------|--------------|--------------|
| | | | |



Mogale City Local Municipality
(Registration number GT 481)
Annual Financial Statements
for the year ended 30 June 2011

Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2011

General Information

Mayoral committee

Executive Mayor Cllr. K.C. Seerane
Councillors Speaker: Cllr. S.M. Thupane
Chief Whip: Cllr. S. Dube
MMC Finance: Cllr. F.O Bhayat
MMC Human Settlement and Rural Development: Cllr. S. Letsie
MMC Roads & Transport: Cllr. N.E. Mdlulwa
MMC Corporate Services: Cllr. N.C Mangole
MMC Infrastructure Development: Cllr. M. Khuzwayo
MMC Local Economic Development: Cllr. B. Friedman
MMC Health and Social Services: Cllr. E Mathe
MMC Intergrated Environmental Management : Cllr. M.A Mathibe
MMC Sports and Recreation: Cllr. K.A. Setswalo-Moja
MMC Public Safety: Cllr. N. Kufa

Grading of local authority

4

Accounting Officer

Mr D.M Mashitisho

Chief Finance Officer (CFO)

Mr L.M.E Mahuma

Registered office

Civic Centre
Cnr Commissioner & Market Street
Krugersdorp
1739

Business address

Civic Centre
Cnr Commissioner & Market Street
Krugersdorp
1739

Postal address

P.O Box 94
Krugersdorp
1740

Bankers

First National Bank - Till 31 May 2011
Standard Bank - From 1 June 2011

Auditors

Auditor General

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Abbreviations

| | |
|------|---|
| COID | Compensation for Occupational Injuries and Diseases |
| GRAP | Generally Recognised Accounting Practice |
| IAS | International Accounting Standards |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |

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Accounting Officer's Responsibilities and Approval

I am responsible for the preparation of these Annual Financial Statements, which are set out on page 4 to 65 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with the Act.

Mr D.M Mashitisho
Accounting Officer

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Statement of Financial Position

| Figures in Rand | Note(s) | 2011 | 2010 |
|---|---------|----------------------|----------------------|
| ASSETS | | | |
| Inventories | 9 | 18,654,121 | 153,602,892 |
| Trade and other receivables-exchange transactions | 10 | 26,960,631 | 28,179,395 |
| Consumer debtors | 11 | 293,846,200 | 232,728,246 |
| Cash and cash equivalents | 12 | 39,335,491 | 88,990,514 |
| Operating lease asset | | 361,893 | - |
| CURRENT ASSETS | | | |
| | | 379,158,336 | 503,501,047 |
| NON-CURRENT ASSETS | | | |
| Investment property | 3 | 475,519,554 | 475,519,554 |
| Property, plant and equipment | 4 | 4,582,697,999 | 4,475,969,575 |
| Intangible assets | 5 | 6,226,216 | 2,252,219 |
| Investment | 6 | 38,893,698 | 33,965,695 |
| | | 5,103,337,467 | 4,987,707,043 |
| Non-Current Assets | | 5,103,337,467 | 4,987,707,043 |
| Current Assets | | 379,158,336 | 503,501,047 |
| Total Assets | | 5,482,495,803 | 5,491,208,090 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Retirement benefits obligations | 8 | 7,701,821 | 6,955,464 |
| Finance lease obligation | 13 | 3,847,688 | 189,524 |
| Unspent conditional grants and receipts | 14 | 12,311,737 | 12,133,569 |
| Provisions | 15 | 51,479,123 | 47,055,550 |
| Trade and other payables from exchange transactions | 16 | 252,069,316 | 232,077,000 |
| Other financial liabilities | 40 | 11,158,838 | 12,109,596 |
| Sundry deposits | | 7,593,896 | 6,805,174 |
| VAT payable | 41 | 65,037,424 | 65,511,220 |
| Consumer deposits | 42 | 33,294,313 | 32,846,315 |
| | | 444,494,156 | 415,683,412 |
| NON-CURRENT LIABILITIES | | | |
| Retirement benefits obligations | 8 | 85,241,263 | 74,149,841 |
| Finance lease obligation | 13 | 10,492,509 | 569,188 |
| Provisions | 15 | 46,793,432 | 41,983,258 |
| Other financial liabilities | 40 | 194,166,746 | 152,084,339 |
| | | 336,693,950 | 268,786,626 |
| NON-CURRENT LIABILITIES | | 336,693,950 | 268,786,626 |
| CURRENT LIABILITIES | | 444,494,156 | 415,683,412 |
| TOTAL LIABILITIES | | 781,188,106 | 684,470,038 |
| Assets | | 5,482,495,803 | 5,491,208,090 |
| LIABILITIES | | (781,188,106) | (684,470,038) |
| NET ASSETS | | 4,701,307,697 | 4,806,738,052 |
| NET ASSETS | | | |
| Accumulated surplus | | 4,701,307,669 | 4,806,738,052 |

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Statement of Financial Performance

| Figures in Rand | Note(s) | 2011 | 2010 |
|---|---------|------------------------|------------------------|
| REVENUE | | | |
| Property rates | 19 | 217,375,414 | 201,606,972 |
| Property rates - penalties imposed and collection charges | | 12,225,618 | 11,593,058 |
| Service charges | 20 | 790,204,861 | 700,773,332 |
| Government grants & subsidies | 21 | 260,806,280 | 225,914,207 |
| Rental of facilities and equipment | | 7,738,915 | 1,601,347 |
| Interest received - external investment | 25 | 7,443,083 | 9,631,419 |
| Dividends received | 25 | 11,224 | - |
| Interest received - outstanding debtors | | 7,547,349 | 12,171,238 |
| Fines | | 13,159,396 | 22,797,757 |
| Licences and permits | | 30,891 | 20,846 |
| Income from agency services | | 14,878,605 | 10,590,503 |
| Other income | 43 | 37,627,701 | 24,820,689 |
| TOTAL REVENUE | | 1,369,049,337 | 1,221,521,368 |
| EXPENDITURE | | | |
| Employee related costs | 23 | (373,286,626) | (327,613,346) |
| Remuneration of councillors | 24 | (16,313,074) | (15,336,997) |
| Internal charges/ Charge outs | | 3,991,409 | 4,079,950 |
| Depreciation and amortisation | 26 | (209,453,734) | (242,775,108) |
| Finance costs | 27 | (32,836,804) | (31,393,023) |
| Contracted services | 29 | (76,831,970) | (51,685,117) |
| Grants and subsidies paid | 30 | (4,739,136) | (5,648,933) |
| Bulk purchases | 31 | (437,900,851) | (350,205,452) |
| Debt impairment | | (42,072,351) | (81,279,078) |
| Collection costs | | (4,547,469) | (4,429,492) |
| Repairs and maintenance | | (88,692,792) | (73,961,749) |
| General Expenses | 22 | (191,794,139) | (190,023,519) |
| TOTAL EXPENDITURE | | (1,474,477,537) | (1,370,271,864) |
| Revenue | | 1,369,049,337 | 1,221,521,368 |
| Expenditure | | (1,474,477,537) | (1,370,271,864) |
| SURPLUS FOR THE YEAR | | (105,428,200) | (148,750,496) |

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Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus | Total net assets |
|--|------------------------|----------------------|
| Opening balance as previously reported | 4,674,174,667 | 4,674,174,667 |
| Adjustments | | |
| Prior year adjustments | 281,313,881 | 281,313,881 |
| Balance at 01 July 2009 as restated | 4,955,488,548 | 4,955,488,548 |
| Changes in net assets | | |
| Surplus for the year | (148,750,496) | (148,750,496) |
| Total changes | (148,750,496) | (148,750,496) |
| Balance at 01 July 2010 as restated | 4,806,735,869 | 4,806,735,869 |
| Changes in net assets | | |
| Surplus for the year | (105,428,200) | (105,428,200) |
| Total changes | (105,428,200) | (105,428,200) |
| Balance at 30 June 2011 | 4,701,307,669 | 4,701,307,669 |

Note(s)

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Cash flow statement

| Figures in Rand | Note(s) | 2011 | 2010 |
|---|---------|----------------------|----------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Property rates | | 217,375,414 | 201,606,972 |
| Sale of goods and services | | 790,204,861 | 700,773,332 |
| Grants | | 264,089,039 | 225,914,207 |
| Interest income | | 7,443,083 | 9,631,419 |
| Dividends received | | 11,224 | - |
| Other receipts | | 89,925,716 | 83,595,438 |
| | | 1,369,049,337 | 1,221,521,368 |
| Payments | | | |
| Employee costs | | (389,599,728) | (342,950,343) |
| Suppliers | | (798,414,349) | (665,875,837) |
| Finance costs | | (32,836,804) | (31,393,023) |
| Other payments | | 71,550,600 | 17,830,516 |
| | | (1,149,300,281) | (1,022,388,687) |
| Total receipts | | 1,369,049,337 | 1,221,521,368 |
| Total payments | | (1,149,300,281) | (1,022,388,687) |
| Net cash flows from operating activities | 32 | 219,749,056 | 199,132,681 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 4 | (314,278,104) | (334,559,875) |
| Proceeds from sale of property, plant and equipment | 4 | 283,689 | 221,016,954 |
| Purchase of other intangible assets | 5 | (5,983,511) | - |
| Proceeds from sale of financial assets | | (4,928,003) | - |
| Movements in non-current investments | | - | (4,319,494) |
| Net cash flows from investing activities | | (324,905,929) | (117,862,415) |
| Cash flows from financing activities | | | |
| Repayment/ Proceeds of other financial liabilities | | 41,131,649 | (38,313,907) |
| Movement in sundry deposits | | 788,722 | - |
| Finance lease payments | | 13,581,485 | - |
| Net cash flows from financing activities | | 55,501,856 | (38,313,907) |
| Net increase/(decrease) in cash and cash equivalents | | (49,655,017) | 42,956,359 |
| Cash and cash equivalents at the beginning of the year | | 88,990,514 | 46,034,156 |
| Cash and cash equivalents at the end of the year | 12 | 39,335,497 | 88,990,515 |

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Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

The accounting policies are consistent with those used to present the previous year's annual financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.1 Significant judgements and sources of estimated uncertainty

The preparation of annual financial statements in conformity with standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

Allowance for slow moving, damaged and obsolete stock

An allowance to write stock down to the lower of cost or net realisable value exists. Management has made estimates of the selling price and direct cost to sell these certain inventory items. The write down is included in the operation surplus note.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment. Heritage assets, which are culturally significant resources and shown at cost are not depreciated owing to the uncertainty regarding their useful lives. Similarly land is not depreciated as it is deemed to have an infinite life.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Cost also includes initial estimates of the cost of dismantling and removing the assets and restoring the site.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary asset, or a combination of monetary and non-monetary asset, the asset acquired is initially measured at fair value. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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Accounting Policies

1.2 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. The economic entity maintains and acquires assets to provide a social service to the community. The useful lives and economic lives of these assets are equal and consequently no residual values are determined. Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Average useful life |
|-------------------------------------|---------------------|
| Land | Indefinite |
| • Landfill site | |
| Infrastructure | |
| • Electricity mains | 20-30 years |
| • Roads | 15-60 years |
| • Water Networks | 15-20 years |
| • Gas | 0-20 years |
| • Sewage | 15-20 years |
| • Pedestrian Malls | 20 years |
| • Airports | 20 years |
| • Security Measures | 5 years |
| • Storm Water | 20-60 years |
| • Pipe Works | 10-100 years |
| • Substations | 45 years |
| Community | |
| • Buildings | 30 years |
| • Recreation facilities | 20 years |
| Other property, plant and equipment | |
| • Office equipment | 5-10 years |
| • Furniture & Fittings | 7-10 years |
| • Bins and Containers | 5-10 years |
| • Emergency Equipment | 5-15 years |
| • Motor Vehicles | 3-20 years |
| • Plant and Equipment | 2-15 years |
| • Others | 15-100 years |
| • Heritage | 0 years |

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in the statement of financial performance unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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Accounting Policies

1.3 Investment property

Investment property includes property (land or a building - or part of a building - or both land and buildings held under finance lease) held to earn rentals or for capital appreciation, rather than held to meet service delivery objectives, production and supply of goods or services, or sale of assets in the ordinary course of operations

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

| Item | Useful life |
|-----------------|--------------------|
| Property - land | indefinite |

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.5 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. Intangible assets are identifiable resources controlled by the municipality from which the municipality expects to derive future economic benefits or service potential.

Intangible assets are identifiable when they can be separated from an economic entity, is capable of being separated or derived from the municipality and sold, exchanged, licensed or when they arise as a result of a contractual or other legal right, excluding those rights that arise from the statute.

An intangible asset is recognised in the statement of financial position only when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, its cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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Accounting Policies

1.5 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item | Useful life |
|--------------------------|--------------------|
| Computer software, other | 5 years |

Intangible assets are derecognised when the asset is disposed off or when there are no future economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.6 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Held-to-maturity investment, financial assets
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Initial recognition

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability

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Accounting Policies

1.6 Financial instruments (continued)

that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

Catergorisation

The economic entity has various types of financial instruments and these can be broadly catergorised as either financial assets or financial liabilities.

A financial asset is any asset that is:

- cash
- contractual right to receive cash or to receive another financial asset from another entity
- a contractual right to exchange financial instruments on potentially favourable terms
- an equity instrument of another entity
- a contract that may or will be settled in the entity's own equity instrument (subject to certain conditions)

The economic entity has the following types of financial assets as reflected on the face of the statement of Financial Position or in the notes thereto

- Investments
- Long term receivables
- Consumer debtors

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Accounting Policies

1.6 Financial instruments (continued)

- Other receivables
- Cash and cash equivalents
- Unlisted shares

In accordance with IAS 39.09 the financial assets of the economic entity are classified as follows into one of the four categories allowed by the standards

The type of financial asset classification in terms of IAS 39.09

- Investments held to maturity
- Long term loans and receivables
- Consumer debtors and receivables
- Other loans and receivables
- Bank balances and cash available for sale
- Unlisted shares available for sale

A financial liability is any liability that is:

- a contractual obligation to deliver cash or to deliver another financial asset
- a contractual obligation to exchange financial instruments on potentially unfavourable terms

The economic entity has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long term liabilities
- Trade and other payables
- Consumer deposits
- Unspent conditional grants and receipts

There are two main categories of financial liabilities, classified based on how they are measured. Any other financial liabilities are classified as financial liabilities that are not measured at fair value through profit and loss.

In accordance with IAS 39.09 the financial liabilities of the economic entity are classified only as financial liabilities that are not measured at fair value through profit or loss because none of the following instruments are held for trading.

Type of financial liability classification in terms of IAS 39.09

- Long term liabilities are financial liabilities that are not measured at fair value through profit and loss.
- Consumer deposits are financial liabilities that are not measured at fair value through profit and loss
- Trade and other payables are financial liabilities that are not measured at fair value through profit and loss
- Unspent conditional grants and receipts are financial liabilities that are not measured at fair value through profit and loss

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum

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1.6 Financial instruments (continued)

amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

Consumer debtors, long term receivables and other debtors are stated at cost less a provision for bad debts. The provision is made on an individual basis or group, based on expected cashflows. At each balance sheet date an assessment is made of whether there is any objective evidence of impairment of financial assets. If the is evidence then the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39 as an expense in the Statement of Financial Performance. Separate classes of loans and receivables were assessed for impairment using the following methodologies.

Sundry Deposits.

Sundry deposits are assessed for impairment to ensure that no objective evidence exist that these deposits are irrecoverable.

Sundry Debtors.

Sundry debtors are those suspense control accounts classified as financial instruments with debit balances as at year end. Sundry debtors are assessed individually for impairments to ensure that no objective evidence exists that these debtors are irrecoverable

1.7 Leases

Where substantially all the risks and rewards associated with ownership of an asset are transferred to the economic entity, the lease is classified as a finance lease. Operating leases are those leases that do not transfer substantially all the risks and rewards associated with ownership of an asset to the economic entity.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the Statement of Financial Position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease. Lease payment relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance revenue.

Finance leases - lessee

At the commencement of the lease term, the economic entity recognise finance leases as assets and liabilities in the statement of financial position at an amount equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the economic entity's incremental borrowing rate is used. Any initial direct costs of the economic entity are added to the amount recognised as an asset. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent rents are charged as expenses in the periods in which they are incurred. A finance lease gives rise to a depreciation expense for depreciable assets as well as finance expense for each accounting period. The depreciation policy

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1.7 Leases (continued)

for depreciable leased assets is consistent with that for depreciable assets that are owned, and the depreciation recognised is calculated in accordance with the relevant accounting policy that the specific depreciable leased asset relates to. If there is no reasonable certainty that the economic entity will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases - lessor

The economic entity present assets subject to operating leases in the Statement of Financial Position according to the nature of the asset. Lease revenue from operating leases is recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. Costs, including depreciation, incurred in earning the lease revenue are recognised as an expense. Lease revenue is recognised on a straight-line basis over the lease term even if the receipts are not on such a basis, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred by the economic entity in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue. The depreciation policy for depreciable leased assets is consistent with the economic entity's normal depreciation policy for similar assets.

Operating leases - lessee

Lease payments under an operating lease are recognised as an expense in the Statement of Financial Performance on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit to the economic entity.

Finance leases - lessee Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the

leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. The discount rate used in calculating the present value of the minimum lease payments is the . Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability. Any contingent rents are expensed in the period in which they are incurred.

1.8 Inventories

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business.

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the economic entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired. Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Inventories identified for write down/write off, but for which a council resolution, to authorise the write down/write off, has not yet been obtained, is provided for as a provision for obsolete stock. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. The weighted average method is the basis of allocating costs to inventories. Unsold properties are valued at cost. Direct costs are accumulated for each separately identifiable development.

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1.8 Inventories (continued)

1.9 Retirement benefit obligation

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

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1.9 Retirement benefit obligation (continued)

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.10 Provisions and contingencies

Contingent assets and contingent liabilities are not recognised but rather are disclosed in note 33

Provisions are recognised when the municipality has a present obligation(legal or constructive) as a result of past events, and is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate and those which can be settled within twelve months are treated as current liabilities. All other provisions are treated as non current liabilities.

A provision is used only for expenditures for which the provision was originally recognised

a) Leave provision

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end

b) Landfill rehabilitation provision

The landfill rehabilitation provision is created for the rehabilitation of the current operational landfill site at an estimated time of closure. The value of the provisions based on the expected future cost to rehabilitate the various sites discounted back to the balance date at the cost to capital which is 10%

The municipality has an obligation to rehabilitate the landfill site, the costs include the initial estimate of the cost to rehabilitate the land and restoring the land and restoring the site, the obligation of the municipality incurs as a result of having used the property during the particular period for landfill purposes.

The municipality estimates that the useful life of landfill sites and assumptions thereto which influence the future cost to be provided for.

The asset is measured using the cost model:

- (a) subject to changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the economic entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit

c) Long service award

The municipality offers various types of long service awards to its employees. The present value of the long service award obligation depends on the actuarial assumptions. The assumptions used to determine the obligation include the discount rate, inflation, the average retirement age and the actuarial assumptions. The increase or decrease on the obligation is recognised in the Statement of Financial Performance. The obligation is recognised on the statement of financial position.

d) Gratuity payment provision

The provision is for the unpaid periods and is based on the pro rata accrual to retired employees based on the council resolution

e) Bonus provision

The provision is based on the bonus accruing to all the employees of the municipality

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1.10 Provisions and contingencies (continued)

f) Workmans compensation

The provision is for the unpaid periods, estimated in the latest return submitted to the compensation commissioner.

1.11 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the economic entity directly in return for services rendered /goods sold, the value of which approximates the consideration received or receivable. Revenue is the gross inflows of economic benefits or service potential during the reporting period when those inflows result in increases in net assets, other than increases relating to contributions from owners. Revenue is measured at the fair value of the consideration received or receivable. When the inflow of cash or cash equivalents is deferred and the fair value of the consideration is less than the nominal amount of cash received or receivable, the arrangement effectively constitutes a financing transaction. The fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

The imputed rate of interest is the more clearly determinable of either:

- the prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- a rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue. Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. There are areas within the economic entity where an un-metered water tariff is applied based on estimated consumption as per promulgated tariffs. Revenue for these is recognised when the invoiced is generated.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property size, and are levied monthly.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis. Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Dividends are recognised when the economic entity's right to receive payment is established. Revenue from the sale of goods is recognised when the following conditions have been satisfied:

- the economic entity has transferred to the buyer the significant risks and rewards of ownership.
- the economic entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- the amount of revenue can be measured reliably.
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity.
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

1.12 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the economic entity received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion

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1.12 Revenue from non-exchange transactions (continued)

basis. A rating system charging one tariff is employed. Rebates and remissions are granted to certain categories of ratepayers and are recognised net of revenue.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of fines that will be received based on past experience of amounts collected. Revenue from public contributions and donations is recognized when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the economic entity.

Where public contributions have been received but the economic entity has not met the related conditions, a deferred income (liability) is recognized. Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the economic entity.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.13 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on impairment of assets as per accounting policy number 1.14 and 1.15. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Extended periods is periods that exceeds 3 months.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.14 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

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1.14 Impairment of cash-generating assets (continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

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1.14 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

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1.14 Impairment of cash-generating assets (continued)

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.15 Impairment of non-cash-generating assets

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1.15 Impairment of non-cash-generating assets (continued)

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a non-cash-generating asset is the present value of the non-cash-generating asset's remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is

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1.15 Impairment of non-cash-generating assets (continued)

measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Position in

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Accounting Policies

1.16 Unauthorised expenditure (continued)

the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.17 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's Supply Chain Management policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.19 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

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2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

3. Investment property

| | 2011 | | 2010 | |
|---------------------|------------------|--------------------------|------------------|--------------------------|
| | Cost / Valuation | Accumulated depreciation | Cost / Valuation | Accumulated depreciation |
| Investment property | 475,519,554 | - | 475,519,554 | - |

Reconciliation of investment property - 2011

| | Opening balance | Total |
|---------------------|-----------------|-------------|
| Investment property | 475,519,554 | 475,519,554 |

Reconciliation of investment property - 2010

| | Opening balance | Total |
|---------------------|-----------------|-------------|
| Investment property | 475,519,554 | 475,519,554 |

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

When the municipality's policy is to subsequently measure investment property on the cost model, when the municipality cannot determine the fair value of the investment property reliably, the municipality must disclose:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and

4. Property, plant and equipment

| | 2011 | | 2010 | |
|-----------|------------------|--------------------------|------------------|--------------------------|
| | Cost / Valuation | Accumulated depreciation | Cost / Valuation | Accumulated depreciation |
| Buildings | 230,818,096 | (10,488,822) | 220,329,274 | 422,356,763 |

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4. Property, plant and equipment (continued)

| | | | | | | |
|-------------------------------------|----------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| Plant and machinery | 13,089,402 | (3,102,187) | 9,987,215 | 22,158,720 | (9,658,567) | 12,500,153 |
| Furniture and fixtures | 3,061,447 | (746,245) | 2,315,202 | 9,883,375 | (7,257,973) | 2,625,402 |
| Motor vehicles | 8,454,309 | (3,597,572) | 4,856,737 | 20,239,167 | (11,784,857) | 8,454,310 |
| IT equipment | 7,770,854 | (2,041,552) | 5,729,302 | 12,871,532 | (5,762,316) | 7,109,216 |
| Infrastructure | 3,362,970,846 | (126,375,883) | 3,236,594,963 | 5,545,062,610 | (2,441,161,421) | 3,103,901,189 |
| Community | 652,056,200 | (326,847,995) | 325,208,205 | 641,685,826 | (308,807,494) | 332,878,332 |
| Other property, plant and equipment | 3,738,115,185 | (3,738,115,185) | - | (3,086,020,798) | 3,086,020,798 | - |
| Bins and containers | 226,806 | (28,749) | 198,057 | 6,500,119 | (6,416,253) | 83,866 |
| Other leased Asset | 15,030,539 | (1,749,264) | 13,281,275 | 1,152,566 | (905,596) | 246,970 |
| Small assets | 69,484 | (38,978) | 30,506 | 136,055 | (70,974) | 65,081 |
| Wastewater network | 453,021,908 | (22,042,961) | 430,978,947 | 1,078,598,886 | (641,379,348) | 437,219,538 |
| Water network | 351,769,781 | (18,632,826) | 333,136,955 | 759,237,827 | (419,221,766) | 340,016,061 |
| Heritage | 51,361 | - | 51,361 | 51,361 | - | 51,361 |
| Total | 8,836,506,218 | [4,253,808,219] | 4,582,697,999 | 5,433,914,009 | (957,944,434) | 4,475,969,575 |

Reconciliation of property, plant and equipment - 2011

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Total |
|------------------------|----------------------|--------------------|------------------|------------------|----------------------|----------------------|
| Buildings | 230,818,096 | - | - | - | (10,488,822) | 220,329,274 |
| Plant and machinery | 12,500,153 | 589,249 | - | - | (3,102,187) | 9,987,215 |
| Furniture and fixtures | 2,625,402 | 456,995 | (20,950) | - | (746,245) | 2,315,202 |
| Motor vehicles | 8,454,310 | - | - | - | (3,597,573) | 4,856,737 |
| IT equipment | 7,109,216 | 914,950 | (253,312) | - | (2,041,552) | 5,729,302 |
| Infrastructure | 3,103,901,189 | 259,069,657 | - | - | (126,375,883) | 3,236,594,963 |
| Community | 332,878,332 | 10,750,820 | - | (380,446) | (18,040,501) | 325,208,205 |
| Bins and containers | 83,866 | 142,941 | - | - | (28,750) | 198,057 |
| Other leased Assets | 246,970 | 14,783,571 | - | - | (1,749,266) | 13,281,275 |
| Small assets | 65,081 | 13,831 | (9,427) | - | (38,978) | 30,506 |
| Wastewater network | 437,219,538 | 15,802,370 | - | - | (22,042,961) | 430,978,947 |
| Water network | 340,016,061 | 11,753,720 | - | - | (18,632,826) | 333,136,955 |
| Heritage | 51,361 | - | - | - | - | 51,361 |
| Total | 4,475,969,575 | 314,278,104 | (283,689) | (380,446) | (206,885,545) | 4,582,697,999 |

Reconciliation of property, plant and equipment - 2010

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Total |
|------------------------|----------------------|--------------------|--------------------|--------------------|----------------------|----------------------|
| Buildings | 241,772,516 | 21,944 | - | - | (10,976,364) | 230,818,096 |
| Plant and machinery | 4,633,191 | 9,396,223 | (305,730) | - | (1,223,531) | 12,500,153 |
| Furniture and fixtures | 2,624,425 | 1,225,798 | (58,742) | - | (1,166,079) | 2,625,402 |
| Motor vehicles | 12,123,596 | - | (1,320,741) | - | (2,348,545) | 8,454,310 |
| IT equipment | 7,643,611 | 1,978,790 | (583,205) | - | (1,929,980) | 7,109,216 |
| Infrastructure | 3,017,641,701 | 237,998,412 | - | (7,287,316) | (144,451,608) | 3,103,901,189 |
| Community | 347,145,610 | 3,362,834 | - | (506,826) | (17,123,286) | 332,878,332 |
| Bins and containers | 1 | 102,240 | - | - | (18,375) | 83,866 |
| Other leased Assets | 373,654 | - | - | (10,230) | (116,454) | 246,970 |
| Small assets | 69,567 | 39,873 | - | - | (44,359) | 65,081 |
| Wastewater network | 425,781,387 | 33,845,667 | - | - | (22,407,516) | 437,219,538 |
| Water network | 312,182,865 | 46,546,333 | - | - | (18,713,137) | 340,016,061 |
| Heritage | 9,600 | 41,761 | - | - | - | 51,361 |
| Total | 4,372,001,724 | 334,559,875 | (2,268,418) | (7,804,372) | (220,519,234) | 4,475,969,575 |

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5. Intangible assets

| | 2011 | | 2010 | |
|--------------------------|------------------|--------------------------|------------------|--------------------------|
| | Cost / Valuation | Accumulated amortisation | Cost / Valuation | Accumulated amortisation |
| Computer software, other | 8,235,730 | (2,009,514) | 6,226,216 | 5,209,651 |

Reconciliation of intangible assets - 2011

| | Opening balance | Additions | Amortisation | Total |
|--------------------------|-----------------|-----------|--------------|-----------|
| Computer software, other | 2,252,219 | 5,983,511 | (2,009,514) | 6,226,216 |

Reconciliation of intangible assets - 2010

| | Opening balance | Additions | Amortisation | Total |
|--------------------------|-----------------|-----------|--------------|-----------|
| Computer software, other | 3,096,670 | 230,100 | (1,074,551) | 2,252,219 |

6. Investment

Available-for-sale

| | | |
|---------------|---------|---------|
| Listed shares | 268,986 | 223,114 |
|---------------|---------|---------|

Held to maturity

| | | |
|-------------------------------------|-------------------|-------------------|
| Other financial assets | 38,624,712 | 33,742,581 |
| Available for sale | 268,986 | 223,114 |
| Held to maturity | 38,624,712 | 33,742,581 |
| Total other financial assets | 38,893,698 | 33,965,695 |

Non-current assets

| | | |
|--------------------|-------------------|-------------------|
| Available-for-sale | 268,986 | 223,114 |
| Held to maturity | 38,624,712 | 33,742,581 |
| | 38,893,698 | 33,965,695 |

Non-current assets

| | | |
|--------------------|------------|------------|
| Non-current assets | 38,893,698 | 33,965,695 |
|--------------------|------------|------------|

Fair value information

Financial assets at fair value through surplus or deficit are recognised at fair value, which is therefore equal to their carrying amounts.

Available-for-sale equity investments not at fair value

The carrying amount of these financial instruments is as follows:

Sanlam (Pty) Ltd

| | | |
|-----------------------------------|-------------------|-------------------|
| 9670s interest in ordinary shares | 268,986 | 223,114 |
| Other (Pty) Ltd | 38,893,698 | 33,965,695 |

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2011 and 2010, as all the financial assets were disposed of at their redemption date.

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6. Investment (continued)

For debt securities classified as at fair value through surplus or deficit, the maximum exposure to credit risk at the reporting date is the carrying amount.

7. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2011

| | Loans and receivables | Held to maturity investments | Available-for-sale | Total |
|---------------------------|-----------------------|------------------------------|--------------------|--------------------|
| Investment | - | 38,893,698 | - | 38,893,698 |
| Other Receivables | 26,960,631 | - | - | 26,960,631 |
| Consumer Debtors | 293,846,200 | - | - | 293,846,200 |
| Cash and cash equivalents | - | - | 40,178,341 | 40,178,341 |
| | 320,806,831 | 38,893,698 | 40,178,341 | 399,878,870 |

2010

| | Loans and receivables | Held to maturity investments | Available-for-sale | Total |
|---------------------------|-----------------------|------------------------------|--------------------|--------------------|
| Investment | - | 33,965,695 | - | 33,965,695 |
| Other receivables | 28,179,395 | - | - | 28,179,395 |
| Consumer Debtors | 232,728,246 | - | - | 232,728,246 |
| Cash and cash equivalents | - | - | 88,990,514 | 88,990,514 |
| | 260,907,641 | 33,965,695 | 88,990,514 | 383,863,850 |

8. Retirement benefit obligation

Retirement funds

The municipality provides retirement for its employees and councillors. The contribution to fund obligations for the payment of retirement benefits are expensed in the year in which they become due. The municipality contributes to defined contribution and defined benefits funds.

The actuarial valuation determined that the retirement plan was in a sound financial position, however that it was recommended that the contribution should be increased by 8% for 12 months. This recommendation is presently being implemented.

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

Defined Benefit Plan

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes most of which offer a range of options pertaining to the levels of cover. Upon retirement a retired employee may continue membership of the medical scheme. Upon a member's death-in-service or death -on-retirement the surviving dependants may continue membership of the scheme in-service members will, and continuation members do receive a post retirement subsidy of 60% of the contribution payable, subject to a limit of R 3,092.55 per month for 2010/2011

The defined benefit funds which are run by an independent administrator are actuarially valued on the basis of the projected unit credit method.

Post retirement medical benefit

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8. Retirement benefit obligation (continued)

The long services awards liability is the present value of the total LSA expected to be payable under the employers current arrangements and based on the assumptions made. This is regarded as the money set aside in present day terms to cover all the LSA for current employees

The municipality provides post retirement medical benefit to ex-employees. These benefits are charged to the Statement of Financial Performance in the year of payment. The expected cost of these are accrued over the period of employment. Independent actuaries carry out these valuations.

The municipality offered employees and continuation member's the opportunity of belonging to one several medical aid schemes, most of which offer range of options pertaining to the level of cover. Upon retirement an employee may continue membership of the medical aid scheme and upon a member's death-in cover or death in retirement, the surviving dependent may continue membership of the scheme.

Carrying value

| | | |
|---|---------------------|---------------------|
| Present value of the defined benefit obligation-wholly unfunded | (92,943,084) | (81,105,305) |
| Non-current liabilities | (85,241,263) | (74,149,841) |
| Current liabilities | (7,701,821) | (6,955,464) |
| | (92,943,084) | (81,105,305) |

The fair value of plan assets includes:

Movements for the year

| | | |
|--|-------------------|-------------------|
| Opening balance | 17,161,053 | 1,951,985 |
| Benefits paid | (3,531,948) | (3,148,860) |
| Actuarial gains and losses | 4,882,315 | 1,441,092 |
| Other | 10,487,412 | 9,312,302 |
| Net expense recognised in the statement of financial performance | 11,837,779 | 7,604,534 |
| | 40,836,611 | 17,161,053 |

Net expense recognised in the statement of financial performance

| | | |
|----------------------------------|-------------------|------------------|
| Current service cost | 3,172,675 | 2,674,292 |
| Contribution paid(Benefits paid) | (3,531,948) | (3,148,860) |
| Interest cost | 7,314,737 | 6,638,010 |
| Actuarial (gains) losses | 4,882,315 | 1,441,092 |
| | 11,837,779 | 7,604,534 |

Key assumptions used

Assumptions used on last valuation on 30 July 2011.

| | | |
|-----------------------------------|--------|--------|
| Discount rates used | 8.61 % | 9.22 % |
| Expected rate of return on assets | 7.32 % | 7.20 % |
| Expected increase in salaries | 1.21 % | 1.88 % |

Other assumptions.

Key Demographic Assumptions

Values

| | |
|------------------------|------------------------------|
| Average retirement age | 65 for males; 60 for females |
|------------------------|------------------------------|

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8. Retirement benefit obligation (continued)

| | |
|--|-----------------|
| Continuation of membership at retirement | 90% |
| Proportion assumed married at retirement | 90% |
| Mortality during employment | SA 85-90 |
| Mortality post-retirement | PA90-1 ultimate |

Withdrawal from service (Sample annual rates)

| Age | Females | Males |
|-----|---------|-------|
| 20 | 24% | 16% |
| 30 | 15% | 10% |
| 40 | 6% | 6% |
| 50 | 2% | 2% |
| >55 | 0% | 0% |

9. Inventories

| | | |
|-----------------------------------|-------------------|--------------------|
| Consumable stores | 13,755,893 | 11,077,298 |
| Water | 435,314 | 167,429 |
| Unsold Properties Held for Resale | 513,000 | 137,356,000 |
| Substores | 3,949,914 | 5,002,165 |
| | 18,654,121 | 153,602,892 |

10. Trade and other receivables-exchange transactions

| | | |
|-----------------------------|-------------------|-------------------|
| Bulk services | 14,010,291 | 13,694,744 |
| Indigent parked amounts | 22,741,894 | 22,741,894 |
| Housing | 12,990,823 | 13,066,463 |
| Staff loans | 4,218,292 | 4,210,630 |
| Debtors leave | 1,369,379 | 1,369,379 |
| Other receivables | 29,068,868 | 27,953,608 |
| Impairment of other debtors | (57,438,916) | (54,857,323) |
| | 26,960,631 | 28,179,395 |

Credit quality of trade and other receivables-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due or impaired, can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade and other receivables-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2011, R 10,504,115 (2010: R 12,353,064) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

| | | |
|-------------------|-----------|-----------|
| 1 month past due | 9,899,966 | 9,700,296 |
| 2 months past due | 304,303 | 2,266,096 |
| 3 months past due | 299,847 | 386,672 |

Trade and other receivables-exchange transactions impaired

As of 30 June 2011, other receivables from non-exchange transactions of R 83,561,661 (2010: R83,036,718 were impaired and provided for.

The amount of the provision was R 57,438,916 as of 30 June 2011 (2010: R 54,857,323).

The ageing of these loans is as follows:

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10. Trade and other receivables-exchange transactions (continued)

| | | |
|---------------|------------|------------|
| 3 to 6 months | 57,438,916 | 54,857,323 |
|---------------|------------|------------|

11. Consumer debtors

Gross balances

| | | |
|-----------------|--------------------|--------------------|
| Rates | 206,223,298 | 177,183,767 |
| Electricity | 86,692,792 | 66,589,588 |
| Water | 117,997,113 | 106,190,756 |
| Sewerage | 91,069,632 | 79,126,292 |
| Refuse | 140,820,065 | 129,901,068 |
| Other (specify) | 191,926,309 | 183,161,486 |
| | 834,729,209 | 742,152,957 |

Less: Provision for debt impairment

| | | |
|-----------------|----------------------|----------------------|
| Rates | (148,649,360) | (148,522,029) |
| Electricity | (19,117,558) | (16,708,206) |
| Water | (91,289,734) | (82,770,461) |
| Sewerage | (74,555,830) | (64,561,986) |
| Refuse | (124,922,263) | (116,527,410) |
| Other (specify) | (82,348,264) | (80,334,619) |
| | (540,883,009) | (509,424,711) |

Net balance

| | | |
|-----------------|--------------------|--------------------|
| Rates | 57,573,938 | 28,661,738 |
| Electricity | 67,575,234 | 49,881,382 |
| Water | 26,707,379 | 23,420,295 |
| Sewerage | 16,513,802 | 14,564,306 |
| Refuse | 15,897,802 | 13,373,658 |
| Other (specify) | 109,578,045 | 102,826,867 |
| | 293,846,200 | 232,728,246 |

Rates

| | | |
|----------------------|-------------------|-------------------|
| Current (0 -30 days) | 49,280,148 | 32,707,962 |
| 31 - 60 days | 3,326,213 | (49,865) |
| 61 - 90 days | 2,922,639 | 5,932,857 |
| 91 - 120 days | 2,044,938 | (9,929,216) |
| | 57,573,938 | 28,661,738 |

Electricity

| | | |
|----------------------|-------------------|-------------------|
| Current (0 -30 days) | 57,366,476 | 39,496,980 |
| 31 - 60 days | 7,954,517 | 9,075,734 |
| 61 - 90 days | 1,392,841 | 1,216,872 |
| 91 - 120 days | 861,400 | 91,796 |
| | 67,575,234 | 49,881,382 |

Water

| | | |
|----------------------|-------------------|-------------------|
| Current (0 -30 days) | 17,064,375 | 16,242,214 |
| 31 - 60 days | 6,021,038 | 4,463,769 |
| 61 - 90 days | 2,179,803 | 2,343,159 |
| 91 - 120 days | 1,442,163 | 371,153 |
| | 26,707,379 | 23,420,295 |

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11. Consumer debtors (continued)

Sewerage

| | | |
|----------------------|-------------------|-------------------|
| Current (0 -30 days) | 9,174,043 | 7,636,789 |
| 31 - 60 days | 3,949,497 | 2,989,938 |
| 61 - 90 days | 1,829,980 | 3,535,221 |
| 91 - 120 days | 1,560,282 | 402,358 |
| | 16,513,802 | 14,564,306 |

Refuse

| | | |
|----------------------|-------------------|-------------------|
| Current (0 -30 days) | 9,262,942 | 6,652,406 |
| 31 - 60 days | 2,932,002 | 3,292,118 |
| 61 - 90 days | 1,940,860 | 3,135,979 |
| 91 - 120 days | 1,761,998 | 293,155 |
| | 15,897,802 | 13,373,658 |

Other (specify)

| | | |
|----------------------|--------------------|--------------------|
| Current (0 -30 days) | 34,730,475 | 21,788,770 |
| 31 - 60 days | 8,982,727 | 7,907,882 |
| 61 - 90 days | 5,134,109 | 18,698,221 |
| 91 - 120 days | 4,801,083 | 3,477,796 |
| 121 - 365 days | 55,929,651 | 50,954,198 |
| | 109,578,045 | 102,826,867 |

Reconciliation of debt impairment provision

| | | |
|----------------------------------|----------------------|----------------------|
| Balance at beginning of the year | (509,424,711) | (447,137,167) |
| Contributions to provision | (31,458,298) | (62,287,544) |
| | (540,883,009) | (509,424,711) |

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past, due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2011, R 216,378,737 (2010: R 252,887,426.33) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

| | | |
|-------------------|-------------|-------------|
| 1 month past due | 114,933,472 | 114,933,472 |
| 2 months past due | 74,765,560 | 74,765,559 |
| 3 months past due | 63,188,394 | 63,188,394 |

Consumer debtors impaired

As of 30 June 2011, consumer debtors of R 834,729,209 (2010: R 742,152,957) were impaired and provided for.

The amount of the provision was R 495,230,802 as of 30 June 2011 (2010: R 509,424,711).

The ageing of these debtors are as follows:

| | | |
|---------------|-------------|-------------|
| 3 to 6 months | 495,230,802 | 509,424,711 |
|---------------|-------------|-------------|

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12. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | | |
|-------------------------------------|--|-------------------|-------------------|
| Cash on hand | | 25,226 | 27,950 |
| Bank balances | | 16,446,702 | 24,710,702 |
| Call accounts money market accounts | | 22,863,563 | 64,251,862 |
| | | 39,335,491 | 88,990,514 |

The municipality had the following bank accounts

| Account number / description | Bank statement balances | | | Cash book balances | | |
|--|-------------------------|-------------------|--------------|--------------------|-------------------|--------------|
| | 30 June 2011 | 30 June 2010 | 30 June 2009 | 30 June 2011 | 30 June 2010 | 30 June 2009 |
| First National Bank - Corporate Services Account - 6204-542-3491 | (2,215) | 100,000 | - | (2,215) | 100,000 | - |
| First National Bank - Corporate Services Account - 6204-542-2469 | 100,000 | 100,000 | - | 100,000 | 100,000 | - |
| First National Bank- Coporate Services Account - 6204-523-1074 | 6,721,924 | 19,256,006 | - | 6,721,924 | 19,256,006 | - |
| First National Bank - Coporate Services Account - 6208-172-0114 | 50,000 | 50,000 | - | 50,000 | 50,000 | - |
| First National Bank- Corporate Services Account-6212-767-4358 | (205) | 4,865,123 | - | (205) | 4,865,123 | - |
| First National Bank-Corporate Services Account-Social responsibility | (205) | 163,158 | - | (205) | 163,158 | - |
| First National Bank-Corporate Service Account-6228-265-1621 | 116,024 | - | - | 116,024 | - | - |
| Standard Bank- 021307482 | 90,425 | - | - | 90,425 | - | - |
| Trust Account . Madikane | - | 176,415 | - | - | 176,415 | - |
| Standard Bank-021307474 | 1,084,935 | - | - | 1,084,935 | - | - |
| Standard Bank- 021307385 | 515,805 | - | - | 515,805 | - | - |
| Standard Bank- 021307172 | 1,284,594 | - | - | 1,284,594 | - | - |
| Standard Bank- 021307105 | (567,977) | - | - | (567,977) | - | - |
| Standard Bank-021306958 | 3,079,783 | - | - | 3,079,783 | - | - |
| Standard Bank-021306532 | 3,973,804 | - | - | 3,973,804 | - | - |
| Call Account | 22,863,563 | 64,251,862 | - | 22,863,563 | 64,251,862 | - |
| Petty Cash | 25,226 | 27,950 | - | 25,226 | 27,950 | - |
| Total | 39,335,481 | 88,990,514 | - | 39,335,481 | 88,990,514 | - |

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13. Finance lease obligation

| Minimum lease payments due | | |
|--|-------------------|----------------|
| - within one year | 8,047,080 | 279,041 |
| - in second to fifth year inclusive | 13,300,489 | 390,151 |
| - later than five years | 2,489,198 | 2,359,412 |
| | 23,836,767 | 3,028,604 |
| less: future finance charges | (9,496,569) | (2,269,892) |
| Present value of minimum lease payments | 14,340,198 | 758,712 |
| <hr/> | | |
| Present value of minimum lease payments due | | |
| - within one year | 3,847,688 | 189,524 |
| - in second to fifth year inclusive | 9,742,772 | 47,596 |
| - later than five years | 749,737 | 521,592 |
| | 14,340,197 | 758,712 |
| <hr/> | | |
| Non-current liabilities | 10,492,509 | 569,188 |
| Current liabilities | 3,847,688 | 189,524 |
| | 14,340,197 | 758,712 |

It is municipality policy to lease certain property, motor vehicles and equipment under finance leases.

The average lease term is 36 months.

Interest rates are either fixed or variable. Some leases have fixed repayment terms and others escalate on a fixed rate and some fluctuate with prime lending rate.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

| Unspent conditional grants and receipts | | |
|--|------------|------------|
| MIG grants | (1) | 3,869,327 |
| Department of Housing | 2,295,011 | 2,295,011 |
| SRAC grant | 1,098,803 | 1,190,948 |
| DWAF grant | 2,428,642 | 4,128,499 |
| GDSD grants | 4,656,785 | 7,561 |
| WRDM grants | 1,396,683 | 88,467 |
| BKB grants | 285,956 | 285,277 |
| GPR-HIV/AIDS grants | - | 268,479 |
| Expanded public works programme | 124,000 | - |
| Seta training grants | 25,858 | - |
| | 12,311,737 | 12,133,569 |

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

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15. Provisions

Reconciliation of provisions - 2011

| | Opening Balance | Additions | Utilised during the year | Reversed during the year | Change in discount factor | Total |
|-------------------------------------|-------------------|-------------------|--------------------------|--------------------------|---------------------------|-------------------|
| Environmental rehabilitation | 13,347,800 | - | - | - | 1,334,780 | 14,682,580 |
| Leave | 26,193,157 | - | - | - | - | 26,193,157 |
| Gratuity Provision | 1,646,656 | - | (31,214) | - | - | 1,615,442 |
| Bonus Provision | 10,938,171 | - | (7,850,323) | 10,568,124 | - | 13,655,972 |
| Corporate and social responsibility | 278,264 | 1,301,610 | (189,500) | - | - | 1,390,374 |
| Collateral guarantee insurance | 334,892 | - | 11,215 | - | - | 346,107 |
| Other provisions | 36,299,868 | 11,605,824 | - | - | (7,516,769) | 40,388,923 |
| | 89,038,808 | 12,907,434 | (8,059,822) | 10,568,124 | (6,181,989) | 98,272,555 |

Reconciliation of provisions - 2010

| | Opening Balance | Additions | Utilised during the year | Reversed during the year | Change in discount factor | Total |
|-------------------------------------|-------------------|-------------------|--------------------------|--------------------------|---------------------------|-------------------|
| Environmental rehabilitation | 19,692,141 | - | - | (8,575,319) | 2,230,978 | 13,347,800 |
| Leave | 19,258,439 | 6,934,718 | - | - | - | 26,193,157 |
| Gratuity provision | - | 1,646,656 | - | - | - | 1,646,656 |
| Bonus provision | 8,356,268 | 2,581,903 | - | - | - | 10,938,171 |
| Corporate and social responsibility | - | 278,264 | - | - | - | 278,264 |
| Collateral guarantee insurance | 323,222 | - | 11,670 | - | - | 334,892 |
| Other provisions | 18,527,944 | 6,166,100 | - | - | 11,605,824 | 36,299,868 |
| | 66,158,014 | 17,607,641 | 11,670 | (8,575,319) | 13,836,802 | 98,272,555 |
| Non-current liabilities | | | | | 46,793,432 | 41,983,258 |
| Current liabilities | | | | | 51,479,123 | 47,055,550 |
| | | | | | 98,272,555 | 89,038,808 |

Corporate Social Responsibility Funds

The fund was established in terms of executive resolution by the Mayor in terms of which service providers and suppliers who reside outside of Mogale City Local Municipality boundaries are expected to contribute 1% out of all amounts that accrue when they tender the municipality

Gratuity Provision

The fund was established in terms of an executive resolution 30/06/86. The policy to non whites stipulated that any worker over 65yrs and has worked for the municipality for a period of 10 years and did not receive any pension compensation upon retirement. Gratuity has been paid at a 1/12 of the monthly salary for every completed years of service.

Leave and Bonus Provision

The liability is based on the total accrued leave days and accrued bonus paid.

Landfill Rehabilitation Provision

In terms of GRAP19 evaluations of provision should be done on an annual basis to reflect the best estimate at that date of provision.

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15. Provisions (continued)

Collateral Guarantee Insurance

MCLM has housing guarantees with the bank on behalf of its employees. These employees contribute on a monthly basis to cover for the municipality possible losses.

Long Service Awards Provision

The municipality offers various types of long service awards to its employees and the key actuarial financial assumptions are as follows

- Discount rate 7.71% (2010: 9.01%)
- General salary inflation 6.25% (2010: 6.47%)

The salaries used in the valuation include an assumed increase of 6.08% in July 2011. The next salary increase is assumed to take place in July 2012

16. Trade and other payables from exchange transactions

| | | |
|-----------------------------------|--------------------|--------------------|
| Trade payables | 176,323,430 | 159,102,411 |
| Credit balance from other debtors | 1,200,152 | 1,041,258 |
| VAT Accrual | - | 9,500,740 |
| Current lease liability | 280,197 | 2,870,670 |
| Other payables | 6,322,500 | 1,194,103 |
| Salary third payments | 395,886 | 128,060 |
| Unpresented cheques | 15,060,340 | 13,974,504 |
| Creditors fair value adjustments | (1,345,929) | (1,422,396) |
| Consumer debtors credit balances | 31,597,415 | 28,128,692 |
| Receivables credit balances | 1,067 | 835 |
| Inventory in transit | 131,483 | 1,823,715 |
| Insurance claims | 281,297 | 281,297 |
| Unallocated cash | 964,861 | 970,508 |
| Undistributed deposit | 6,765,248 | 8,074,175 |
| Retention | 10,648,281 | 5,836,805 |
| Overtime Accrual | 1,881,175 | 571,623 |
| Obsolete stock | 1,561,913 | - |
| | 252,069,316 | 232,077,000 |

17. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2011

| | Financial liabilities at amortised cost | Total |
|---|---|--------------------|
| Other financial liabilities | 11,158,838 | 11,158,838 |
| Trade and other payables | 252,911,099 | 252,911,099 |
| Other non-current financial liabilities | 194,166,746 | 194,166,746 |
| Consumer deposits | 33,294,313 | 33,294,313 |
| Unspent conditional grants and receipts | 9,028,978 | 9,028,978 |
| | 500,559,974 | 500,559,974 |

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17. Financial liabilities by category (continued)

| | Financial liabilities at amortised cost | Total |
|---|---|--------------------|
| Other current financial liabilities | 12,109,596 | 12,109,596 |
| Trade and other payables | 236,760,335 | 236,760,335 |
| Other non current financial liabilities | 152,084,339 | 152,084,339 |
| Consumer deposits | 32,846,315 | 32,846,315 |
| Unspent conditional grants | 12,133,569 | 12,133,569 |
| | 445,934,154 | 445,934,154 |

18. Revenue

| | | |
|---|----------------------|----------------------|
| Property rates | 217,375,414 | 201,606,972 |
| Property rates – Penalties imposed and collection charges | 12,225,618 | 11,593,058 |
| Service charges | 790,204,861 | 700,773,332 |
| Rental of facilities & equipment | 7,738,915 | 1,601,347 |
| Income from agency services | 14,878,605 | 10,590,503 |
| Fines | 13,159,396 | 22,797,757 |
| Licences and permits | 30,891 | 20,846 |
| Government grants & subsidies | 260,806,280 | 225,914,207 |
| | 1,316,419,980 | 1,174,898,022 |

The amount included in revenue arising from exchanges of goods or services are as follows:

| | | |
|----------------------------------|--------------------|--------------------|
| Service charges | 790,204,861 | 700,773,332 |
| Rental of facilities & equipment | 7,738,915 | 1,601,347 |
| Income from agency services | 14,878,605 | 10,590,503 |
| Licences and permits | 30,891 | 20,846 |
| | 812,853,272 | 712,986,028 |

The amount included in revenue arising from non-exchange transactions is as follows:

| | | |
|---|--------------------|--------------------|
| Property rates | 217,375,414 | 201,606,972 |
| Property rates – Penalties imposed and collection charges | 12,225,618 | 11,593,058 |
| Fines | 13,159,396 | 22,797,757 |
| Government grants & subsidies | 260,806,280 | 225,914,207 |
| | 503,566,708 | 461,911,994 |

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19. Property rates

Rates received

| | | |
|---|--------------------|--------------------|
| Residential | 225,432,171 | 209,214,802 |
| Commercial | 109,890,731 | 103,046,431 |
| Municipal | (169,664) | - |
| Small holdings and farms | 13,181,394 | 11,742,209 |
| Less: Income forgone | (130,959,218) | (122,396,470) |
| | 217,375,414 | 201,606,972 |
| Property rates - penalties imposed and collection charges | 12,225,618 | 11,593,058 |
| | 229,601,032 | 213,200,030 |

Valuations

Valuations on land and buildings are performed every 3-5 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2014.

20. Service charges

| | | |
|---------------------------------|--------------------|--------------------|
| Service charges | 17,955,211 | 14,103,033 |
| Sale of electricity | 506,842,585 | 439,968,111 |
| Sale of water | 130,031,552 | 120,524,570 |
| Sewerage and sanitation charges | 73,858,560 | 69,937,863 |
| Refuse removal | 61,516,300 | 56,237,540 |
| Other service charges | 653 | 2,215 |
| | 790,204,861 | 700,773,332 |

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21. Government grants and subsidies

| | | |
|---|--------------------|--------------------|
| Equitable share | 173,321,138 | 135,814,262 |
| Provincial health subsidies | 3,437,750 | 5,426,320 |
| MIG grant | 55,095,326 | 48,132,580 |
| Financial management grant | 1,000,000 | 750,000 |
| Municipal intern grant | - | 141,000 |
| Theta | - | 2,110,724 |
| WRDM grant | 3,127,284 | 1,272,504 |
| Bontle ke botho grant | 49,320 | 185,332 |
| Seta training grant | 1,552,215 | 2,206,455 |
| SRAC grant | 4,392,146 | 5,482,906 |
| Municipal systems improvement grant (operating) | 750,000 | 478,770 |
| DLG water target | - | 4,210,780 |
| GDSD grant | 4,350,776 | 11,240,439 |
| GPR-HIV/AIDS grant | 268,479 | 231,521 |
| DWAF | 7,440,846 | 8,230,614 |
| DMEA grant | 5,000,000 | - |
| Expanded public works programme | 21,000 | - |
| Agriculture | 1,000,000 | - |
| | 260,806,280 | 225,914,207 |

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 226.85 (2010: R 86), which is funded from the grant.

MIG grant

| | | |
|---|--------------|------------------|
| Balance unspent at beginning of year | 3,869,327 | 5,176,907 |
| Current-year receipts | 51,225,998 | 46,825,000 |
| Conditions met - transferred to revenue | (55,095,326) | (48,132,580) |
| | (1) | 3,869,327 |

Conditions still to be met - remain liabilities (see note 14)

Department of human settlement grant

| | | |
|--------------------------------------|-----------|-----------|
| Balance unspent at beginning of year | 2,295,011 | 2,295,011 |
|--------------------------------------|-----------|-----------|

Conditions still to be met - remain liabilities (see note 14)

This grant is administered on behalf of the department of human settlement for the erection of RDP houses.

SRAC grant

| | | |
|---|------------------|------------------|
| Balance unspent at beginning of year | 1,190,948 | 2,394,854 |
| Current-year receipts | 4,300,001 | 4,279,000 |
| Conditions met - transferred to revenue | (4,392,146) | (5,482,906) |
| | 1,098,803 | 1,190,948 |

Conditions still to be met - remain liabilities (see note 14)

DWAF

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|--|------------------|------------------|
| 21. Government grants and subsidies (continued) | | |
| Balance unspent at beginning of year | 4,128,499 | 12,359,113 |
| Current-year receipts | 5,740,989 | - |
| Conditions met - transferred to revenue | (7,440,846) | (8,230,614) |
| | 2,428,642 | 4,128,499 |

Conditions still to be met - remain liabilities (see note 14)

GDSD grant

| | | |
|---|------------------|--------------|
| Balance unspent at beginning of year | 7,561 | - |
| Current-year receipts | 9,000,000 | 11,248,000 |
| Conditions met - transferred to revenue | (4,350,776) | (11,240,439) |
| | 4,656,785 | 7,561 |

Conditions still to be met - remain liabilities (see note 14)

WRDM grant

| | | |
|---|------------------|---------------|
| Balance unspent at beginning of year | 88,467 | 473,287 |
| Current-year receipts | 4,435,500 | 887,684 |
| Conditions met - transferred to revenue | (3,127,284) | (1,272,504) |
| | 1,396,683 | 88,467 |

Conditions still to be met - remain liabilities (see note 14)

WRDM funds various activities in the municipality e.g. HIV/AIDS, primary health care, programmes for the youth, elderly, disabled etc.

Bontle ke botho grant

| | | |
|---|----------------|----------------|
| Balance unspent at beginning of year | 285,277 | 470,609 |
| Current-year receipts | 49,999 | - |
| Conditions met - transferred to revenue | (49,320) | (185,332) |
| | 285,956 | 285,277 |

Conditions still to be met - remain liabilities (see note 14)

Bontle ke botho is prize money received for the greater Krugersdorp town and various wards for environmental awareness and will be spent in the following year.

GPR-HIV/AIDS grant

| | | |
|---|-----------|----------------|
| Balance unspent at beginning of year | 268,479 | 500,000 |
| Conditions met - transferred to revenue | (268,479) | (231,521) |
| | - | 268,479 |

Conditions still to be met - remain liabilities (see note 14)

Expanded public works programme

| | | |
|---|----------------|----------|
| Current-year receipts | 145,000 | - |
| Conditions met - transferred to revenue | (21,000) | - |
| | 124,000 | - |

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21. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 14)

Provide explanations of conditions still to be met and other relevant information

Seta training grants

| | | |
|---|---------------|-------------|
| Balance unspent at beginning of year | - | 594,509 |
| Current-year receipts | 1,578,073 | 1,611,946 |
| Conditions met - transferred to revenue | (1,552,215) | (2,206,455) |
| | 25,858 | - |

Conditions still to be met - remain liabilities (see note 14)

Provide explanations of conditions still to be met and other relevant information

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act ...of 20X2), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

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22. General expenses

| | | |
|--------------------------------------|--------------------|--------------------|
| Advertising | 688,981 | 761,864 |
| Assessment rates & municipal charges | 13,638,213 | 11,094,505 |
| Auditors remuneration | 282,225 | 182,199 |
| Bank charges | 1,371,002 | 2,031,912 |
| Computer expenses | 413,601 | 822,474 |
| Consulting and professional fees | 7,746,619 | 7,848,812 |
| Consumables | 2,817,958 | 2,621,685 |
| Entertainment | 241,448 | 175,647 |
| Fines and penalties | 3,587 | - |
| Gifts | 17,601 | 8,198 |
| Insurance | 2,475,015 | 2,608,491 |
| Community development and training | 698,000 | 775,352 |
| Conferences and seminars | 369,691 | 310,792 |
| Lease rentals on operating lease | 14,040,400 | 24,884,695 |
| Fleet | 427,950 | 180,905 |
| Horticulture | 1,760,718 | 1,763,920 |
| Magazines, books and periodicals | 542,843 | 392,569 |
| Medical expenses | 23,082 | - |
| Pest control | 17,486 | 17,350 |
| Fuel and oil | 10,952,529 | 6,875,099 |
| Postage and courier | 2,462,969 | 2,129,597 |
| Printing and stationery | 2,728,838 | 2,390,425 |
| Protective clothing | 227,552 | 109,153 |
| Project maintenance costs | 13,904,083 | 27,082,515 |
| Royalties and license fees | 2,108,958 | 1,899,420 |
| Staff welfare | 628,104 | 595,517 |
| Subscriptions and membership fees | 2,177,898 | 1,874,736 |
| Telephone and fax | 16,462,564 | 9,826,681 |
| Transport and freight | 291,450 | 231,853 |
| Training | 1,451,433 | 1,348,219 |
| Travel - local | 1,231,576 | 2,071,428 |
| Travel - overseas | 95,141 | 342,149 |
| Purchases for consumption | 3,114,414 | 2,505,306 |
| Skills levy | 3,023,468 | 2,773,609 |
| Contribution leave provision | - | 5,565,339 |
| Other expenses | 83,356,714 | 65,921,103 |
| | 191,794,111 | 190,023,519 |

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23. Employee related costs

| | | |
|--|--------------------|--------------------|
| Basic | 234,262,768 | 203,813,589 |
| Bonus | 18,416,119 | 16,633,491 |
| Medical aid - company contributions | 10,715,472 | 11,609,793 |
| UIF | 1,971,577 | 1,820,670 |
| SDL | 88,606 | 71,167 |
| Post-employment benefits - Pension - Defined contribution plan | 43,361,950 | 36,448,579 |
| Overtime payments | 22,883,619 | 19,877,796 |
| Long-service awards | 190,142 | - |
| Acting allowances | 59,463 | 7,414 |
| Car allowance | 29,922,951 | 25,847,028 |
| Housing benefits and allowances | 1,699,210 | 2,018,160 |
| | 363,571,877 | 318,147,687 |

Remuneration of municipal manager

| | | |
|---|------------------|------------------|
| Annual Remuneration | 1,038,471 | 965,457 |
| Car Allowance | 144,000 | 161,353 |
| Performance Bonuses | 176,388 | 128,936 |
| Contributions to UIF, Medical and Pension Funds | 78,945 | 73,962 |
| Subsistance allowance | 14,058 | - |
| | 1,451,862 | 1,329,708 |

Remuneration of chief finance officer

| | | |
|---|------------------|------------------|
| Annual Remuneration | 785,221 | 752,317 |
| Car Allowance | 240,000 | 198,922 |
| Performance Bonuses | - | 94,553 |
| Contributions to UIF, Medical and Pension Funds | 96,207 | 100,850 |
| Subsistance allowance | 12,543 | - |
| Acting allowance | 5,062 | - |
| | 1,139,033 | 1,146,642 |

Governance (office of city manager)

| | | |
|---|------------------|------------------|
| Annual Remuneration | 967,275 | 976,457 |
| Car Allowance | 72,000 | 74,090 |
| Performance Bonuses | 80,606 | 94,553 |
| Contributions to UIF, Medical and Pension Funds | 1,547 | 1,542 |
| | 1,121,428 | 1,146,642 |

Remuneration of individual executive managers

| | | |
|---|------------------|------------------|
| Annual Remuneration | 4,772,627 | 4,465,510 |
| Car Allowance | 735,000 | 714,585 |
| Performance Bonuses | - | 245,349 |
| Contributions to UIF, Medical and Pension Funds | 438,629 | 417,223 |
| Annual bonus | 56,198 | - |
| | 6,002,454 | 5,842,667 |

24. Remuneration of councillors

| | | |
|-----------------|---------|---------|
| Executive Mayor | 679,052 | 627,493 |
|-----------------|---------|---------|

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|--|-------------------|-------------------|
| 24. Remuneration of councillors (continued) | | |
| Mayoral Committee Members | 5,297,880 | 4,989,676 |
| Speaker | 502,549 | 479,620 |
| Councillors | 5,875,825 | 5,429,586 |
| Councillors' pension contribution | 3,957,768 | 3,810,622 |
| | 16,313,074 | 15,336,997 |

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.

The Executive Mayor has two full-time bodyguards.

25. Investment revenue

| | | |
|---|------------------|------------------|
| Dividend received | | |
| Dividends | 11,224 | - |
| Interest received- external investment | | |
| Bank | 7,443,083 | 9,631,419 |
| Dividend | 11,224 | - |
| Interest income | 7,443,083 | 9,631,419 |
| Total revenue from investments | 7,454,307 | 9,631,419 |

26. Depreciation and amortisation

| | | |
|---------------------------------------|-------------|-------------|
| Property, plant and equipment | 209,453,734 | 242,775,108 |
| Amortization of intangible assets | 2,009,514 | 1,074,551 |
| Property plant and equipment | 207,444,220 | 241,700,557 |

209,453,734 242,775,108

27. Finance costs

| | | |
|--|------------|------------|
| Amortisation of held to maturity liabilities | 32,836,804 | 31,393,023 |
|--|------------|------------|

28. Rental of facilities and equipment

| | | |
|---------------------------------|-----------|-----------|
| Facilities and equipment | | |
| Rental of facilities | 7,738,915 | 1,601,347 |
| Facilities and equipment | 7,738,915 | 1,601,347 |

7,738,915 1,601,347

29. Contracted services

| | | |
|---------------------------------|-------------------|-------------------|
| Information Technology Services | 33,414,859 | 28,690,496 |
| Fleet Services | 9,846,700 | 8,851,621 |
| Operating Leases | 31,723,750 | 12,937,355 |
| Other Contractors | 1,846,661 | 1,205,645 |
| | 76,831,970 | 51,685,117 |

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29. Contracted services (continued)

30. Grants and subsidies paid

Other subsidies

| | | |
|----------------------|------------------|------------------|
| Grants other | 270,481 | 298,911 |
| Basic services | 3,816,360 | 4,769,433 |
| Grants: in aid | 520,392 | 552,039 |
| Grants discretionary | 131,903 | 28,550 |
| | 4,739,136 | 5,648,933 |
| Other subsidies | 4,739,136 | 5,648,933 |

31. Bulk purchases

| | | |
|-------------|--------------------|--------------------|
| Electricity | 322,950,030 | 251,340,323 |
| Water | 114,950,821 | 98,865,129 |
| | 437,900,851 | 350,205,452 |

During the year under consideration MCLM had unaccounted water and electricity of 36 %(29.5%: 2010) and 10% (10%: 2009) respectively. The total rand value of these losses were R 49,194,405 (R 38,393,318 : 2010) and R27,573,207(R34,171,993 : 2010) respectivley.

32. Cash generated from operations

| | | |
|--|--------------------|--------------------|
| Deficit | (105,428,200) | (148,750,496) |
| Adjustments for: | | |
| Depreciation and amortisation | 209,453,734 | 242,775,108 |
| Debt impairment | 42,072,351 | 81,282,979 |
| Movements in operating lease assets and accruals | (361,893) | - |
| Movements in retirement benefit assets and liabilities | 11,837,779 | - |
| Movements in provisions | 9,233,747 | (8,583,208) |
| Actuarial gains/losses | (180,377) | (11,085,246) |
| Bad debts written off | - | (29,721,119) |
| Changes in working capital: | | |
| Inventories | 134,948,771 | 17,456,578 |
| Non-current receivables | - | 99,413 |
| Trade and other receivables -exchange transactions | 1,218,764 | (6,141,668) |
| Consumer debtors | (103,190,305) | (35,651,800) |
| Trade and other payables from exchange transactions | 19,992,315 | 97,442,165 |
| VAT | (473,796) | 6,527,393 |
| Unspent conditional grants and receipts | 178,168 | (6,942,138) |
| Consumer deposits | 447,998 | 424,720 |
| | 219,749,056 | 199,132,681 |

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33. Contingencies

Outstanding legal matters

Category A

| | | |
|---|-----------|------------|
| Motheo Group | 1,600,000 | 3,200,000 |
| Suing MCLM for damages suffered as a result of cancellation of contract. | | |
| Enviro-fill (Pty) Ltd | 2,500,000 | 7,000,000 |
| Claim for damages suffered subsequent to cancellation of contract. | | |
| Special Occasions | 72,000 | 72,000 |
| Claims for damages suffered after cancellation of contract without notification. | | |
| Mathe Construction | 5,500,000 | 11,000,000 |
| Suing MCLM for damages suffered as a result of cancellation of contract/ low cost housing. | | |
| David Temple Nourse | 290,000 | 290,000 |
| Deed of sale (purchased land) from red coral, red coral signed a LAA with municipality and has failed to complete development . | | |
| Charles Deuces | 25,000 | 20,000 |
| Claims for damages to vehicles as a result of unrehabilitated roads. | | |
| Heldman Attorneys | 0 | 360,000 |
| Payment stopped by MCLM for the amount owed. | | |
| Charles Deuces | 80,000 | 80,000 |
| Reimbursement of rates and taxes due to over charging by MCLM. | | |
| Cham dor Meat Packers | 0 | 360,000 |
| Repayment of money by the MCLM which was paid into the wrong account. | | |
| SA Local Authorities | 0 | 40,612 |
| Alleges MCLM has not contributed total amount required | | |
| T. Chauke | 150,000 | |
| P. Gouws | 100,000 | |
| Alleges that they were unlawfully assaulted and detained by the traffic officer of council | | |

Subtotal

10,317,000 22,422,512

Category B

Labour matters

P. Moila

Review of commissioner's refusal to grant rescission.

0 155,000

V. Tafu

Appeal of disciplinary case against.

0 148,425

N. Mopitsing

Salary disparity

300,000 185,652

M. Mokone

Appointment to a position based on having acted in the post more than year.

0 294,804

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33. Contingencies (continued)

Murray & Ors

Salary disputes- employees alleges that they were not paid on the notch that they were suppose to be paid.

3,000,000

230,136

A. Masonganye

L. Tshoane

Unfair dismissal.

300,000

566,463

300,000

566,463

L. Lekgetho & 10

294,804 Class action grievance against manager HCM for sexual harrasment, intimidation and incompetence.

0

J. Mathye

N. Mabunda

J. Nkhumane

Unfair dismissal.

300,000

556,913

300,000

537,777

300,000

232,601

Imatu Obo Mzimba

Salary disparity.

0

294,804

B. Maluleke

The employer ill-treats the employee.

0

103,716

S. Kuane

Remuneration.

74,000

164,160

U. Sigabi

Salary discrepancies.

0

172,536

Subtotal

4,874,000

4,415,743

Total

15,191,000

26,937,355

Bank guarantees

kagiso portion 96

64900

64,900

Eskom: kagiso portion 39

96,900

96,900

South african post office

200, 000

200, 000

361, 800

361,800

34. Related parties

Relationships

Accounting Officer

Mr D.M Mashitisho

Members of key management

Mr L.M.E Mahuma

Mr T. Ndlovu

Ms S. Mathebula

Mr D. Mokoena

Mr T. Selebi

Ms M. Mokoena

Ms M. Thelejane

Mr D. Mokotedi

35. Prior period errors

1. Unspent conditional grants

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35. Prior period errors (continued)

Correction of conditions met in MIG vote. Expenditure was own funded but recognised under MIG vote.

2. Accumulated Surplus deficit/ Profit and loss

- a) Corrections of mig vote.
- b) Correction of depreciation expense as per assets register.
- c) Armotisation of expense as per assets register.

3. Landfill provision

Correction of valuation of landfillsite as it was previously wrongly recorded.

4. Bonus provision

Bonus provision that was recorded incorrectly in the pip account which reflects on sundry debtors instead of the provision account.

5. Workmans compensation provision

Raising of the new provison of workmans compensation as it never existed before.

6. Leave pay Accrual

Leave pay accrual taken to provisions.

7. Property plant and equipment

- a). Correction of the assets register as well as the assets that were captured erroneously in 2009/2010.
- b). Assets incorrectly purchase under repairs and maintenance.

8. Investment property

Correction of investment property raised in assets register.

9. Inventory

VAT which was erroneously captured on inventory.

10. Intangibles

Correction of of intangible raised in assets register.

11. Sundry debtors

Correction of sundry debtors which were including the amount for bonus provision.

12. Trade payables

Roll over amounts erroneously captured as accruals in 2009/10.

13. VAT

Expenditure qualifying for input tax claim where input vat was erroneously not claimed and the VAT erroneously captured in inventory

14. Finance lease obligation

Finance lease which was previously disclosed on the notes and was added in the statement of financial position under external loans.

15. Consumer deposits

Consumer deposits wrongly accounted in prior year

The correction of the error(s) results in adjustments as follows :

Statement of financial position

| | | |
|-----------------------------|---|-------------|
| Unspent conditional grants | - | (3,380,980) |
| Accumulated surplus deficit | - | 281,313,878 |

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35. Prior period errors (continued)

| | | |
|---------------------------------|---|---------------|
| Landfill Provision | - | 8,575,318 |
| Bonus provision | - | (1,235,299) |
| Workmans compensation provision | - | (6,166,099) |
| Leave pay accrual | - | 26,193,157 |
| Leave provision | - | (26,193,157) |
| Property plant and equipment | - | (291,485,714) |
| Investment property | - | 6,134 |
| Inventory | - | 527,636 |
| Intangibles | - | 2,457 |
| Sundry debtors | - | 1,235,299 |
| Trade and other payables | - | 4,683,335 |
| VAT | - | 476,309 |
| Finance lease payables | - | (758,712) |
| Consumer deposits | - | (2,183) |

Statement of financial performance

| | | |
|-----------------------------------|---|-------------|
| Depreciation expense | - | 3,124,365 |
| Government grants | - | (3,880,980) |
| Amortisation of intangible assets | - | (1,057,617) |
| Contribution to provision | - | (6,911,942) |
| General expenses | - | 6,911,942 |

36. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecast are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 100% of its borrowings in fixed rate instruments. During 2011 and 2010, the municipality's borrowings at variable rate were denominated in the Rand value.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade and other receivable from non exchange transactions. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

No credit limits were exceeded during the reporting period, and management does not expect any deficits from non-performance by these counterparties.

37. Irregular expenditure

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37. Irregular expenditure (continued)

| | | |
|--|----------------|-------------------|
| Opening balance | 18,277,010 | - |
| Add: Irregular Expenditure - current year | 3,061,132 | 18,277,010 |
| Less: Amounts not recoverable (not condoned) | (20,901,000) | - |
| | 437,142 | 18,277,010 |

38. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

| | | |
|---------------------------------|-------------|-------------|
| Current year subscription / fee | 2,066,850 | 1,833,735 |
| Amount paid - current year | (2,066,850) | (1,833,735) |
| | - | - |

Audit fees

| | | |
|---------------------------------|-------------|--------------|
| Opening balance | 4,468 | 75,522 |
| Current year subscription / fee | 2,820,318 | 1,731,166 |
| Amount paid - current year | (2,824,786) | (1,802,220) |
| | - | 4,468 |

PAYE and UIF

| | | |
|---------------------------------|------------------|------------------|
| Opening balance | 3,557,271 | 2,917,206 |
| Current year subscription / fee | 52,830,346 | 43,263,679 |
| Amount paid - current year | (48,596,890) | (39,706,409) |
| Amount paid - previous years | (3,881,166) | (2,917,206) |
| | 3,909,561 | 3,557,270 |

Pension and Medical Aid Deductions

| | | |
|---------------------------------|---------------|--------------|
| Opening balance | 5,926 | 1,306 |
| Current year subscription / fee | 86,990,935 | 78,896,918 |
| Amount paid - current year | (86,985,009) | (78,892,298) |
| | 11,852 | 5,926 |

VAT

| | | |
|-------------|------------|------------|
| VAT payable | 65,037,424 | 65,511,220 |
|-------------|------------|------------|

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2011:

| 30 June 2011 | Outstanding | Outstanding | Total |
|--------------|-------------------|-------------------|-------|
| | less than 90 days | more than 90 days | |
| | R | R | R |
| Dikgale LC | 689 | 3,661 | 4,350 |
| Dintoe MS | 853 | 3,711 | 4,564 |
| Gogotya NM | 999 | 5,550 | 6,549 |

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38. Additional disclosure in terms of Municipal Finance Management Act (continued)

| | | | |
|-------------|--------------|---------------|---------------|
| Lekone J | 1,607 | 1,860 | 3,467 |
| Magodielo C | 324 | 2,749 | 3,073 |
| Mangole K | 891 | 5,344 | 6,235 |
| Molapo PT | 686 | 3,941 | 4,627 |
| Mpanza BJ | 1,091 | 5,888 | 6,979 |
| Putilli L | 953 | 5,065 | 6,018 |
| Ramafoko MA | 307 | 859 | 1,166 |
| Seemela E | 515 | 3,917 | 4,432 |
| | 8,915 | 42,545 | 51,460 |

30 June 2010

Outstanding
less than 90

Total
R

| | days | days | |
|-------------|--------------|---------------|---------------|
| | R | R | R |
| Thobela CC | 953 | 10,000 | 10,953 |
| Mosetle Neo | 2,484 | 718 | 3,202 |
| Mokotla RJ | 272 | 100 | 372 |
| Thabe DS | 648 | 1,869 | 2,517 |
| Seemela C | 477 | 113 | 590 |
| | 4,834 | 12,800 | 17,634 |

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

39. Non-current receivables

| | | |
|--|-------------|-------------|
| Impairment receivables | (3,187,029) | (3,388,759) |
| Sundry loans | 2,706,945 | 2,849,234 |
| Receivables credit balances transferred(creditors) | - | 835 |
| Stand and housing loans capital | 480,084 | 538,690 |

Trade and other receivables impaired

As of 30 June 2011, trade and other receivables of R 3,187,029 (2010: R 3,388,759) were impaired and provided for.

The amount of the provision was R 3,187,029 as of 30 June 2011 (2010: R 3,88,759).

The ageing of these loans is as follows:

| | | |
|---------------|-----------|-----------|
| 3 to 6 months | 3,187,029 | 3,887,759 |
|---------------|-----------|-----------|

40. Other financial liabilities

Held at amortised cost

| | | |
|-----------------------------|--------------------|--------------------|
| Bank loan | 194,166,746 | 152,084,339 |
| Other financial liability 1 | 11,158,838 | 12,109,596 |
| | 205,325,584 | 164,193,935 |
| | 205,325,584 | 164,193,935 |

Non-current liabilities

| | | |
|-------------------|-------------|-------------|
| At amortised cost | 194,166,746 | 152,084,339 |
|-------------------|-------------|-------------|

Current liabilities

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40. Other financial liabilities (continued)

| | | |
|--------------------|--------------------|-------------|
| At amortised cost | 11,158,838 | 12,109,596 |
| | 194,166,746 | 152,084,339 |
| | 11,158,838 | 12,109,596 |
| 205,325,584 | 164,193,935 | |

41. VAT payable

| | | |
|----------------------|------------|------------|
| Tax refunds payables | 65,037,424 | 65,511,220 |
|----------------------|------------|------------|

42. Consumer deposits

| | | |
|--------------------------|------------|------------|
| Regional services levies | 33,294,313 | 32,846,315 |
|--------------------------|------------|------------|

43. Other income

| | | |
|---|-------------------|-------------------|
| Administration fees | 363,805 | 403,380 |
| Advertising | 255,514 | 348,025 |
| Application fees | 327,472 | 256,892 |
| Building plan fees | 1,866,541 | 1,368,139 |
| Bulk service connections | 4,613,984 | 9,888,748 |
| Cemetery fees | 1,873,447 | 1,579,017 |
| Contributions roads, storm water pipes | 1,671,692 | 975,173 |
| Insurance claims | 549,872 | 262,348 |
| Medical aid contributions(Pensioners) | 1,349,744 | 1,252,083 |
| Other income | 3,552,061 | 2,771,832 |
| Sale erven | (105,456) | 2,089,435 |
| Services connections | 5,232,293 | 3,457,523 |
| Unclaimed monies | 6,080 | 168,094 |
| Investment property fair value adjustment | 16,070,652 | - |
| | 37,627,701 | 24,820,689 |

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44. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

| COUNCIL ITEM NR DESCRIPTION | K(ii) 4(10/2010) "DEVIATION: Payment of ArcGIS and ArcVIEW license fees for the GIS software for the period 1 July 2010 to 30 June 2011". |
|---|--|
| AWARDED TO AMOUNT SECTION | Computer Foundation (Pty) Ltd R 114, 342.00 (including VAT) 36(1)(a)(ii) |
| COUNCIL ITEM NR DESCRIPTION | K(ii) 4(10/2010) "EXTENSION: Extended rental of speed camera equipment, software and back office support for a period of 18 months or until the implementation of the AARTO Act, whichever one commence first (extension July 2010 to Jan 2012)" |
| AWARDED TO AMOUNT SECTION | Total Client Services 43% payment towards contractor depending on the income per month (43/57 split) 36(1)(a)(v) |
| COUNCIL ITEM NR DESCRIPTION | K(ii) 4(1/2011) "DEVIATION: Appointment for provision of a Legal Opinion in terms of Councils Common Law Responsibility towards current and former Councilors outstanding Tax issues with SARS" |
| AWARDED TO AMOUNT SECTION | Easy Q Consulting Legal opinion not yet received. Amount will be reported in next quarter 36(1)(a)(v) |
| COUNCIL ITEM NR DESCRIPTION AWARDED TO AMOUNT SECTION | K (ii) 4(1/2011) "DEVIATION: Rental of a Landfill Compactor for a period of six months" Mykatrade 210 cc R 134, 000.00 (Excluding VAT, diesel and driver) per month R 916, 560.00 (Including VAT) for six month period 36(1)(a)(v) |
| COUNCIL ITEM NR DESCRIPTION AWARDED TO AMOUNT SECTION | K(ii) 4(1/2011) "DEVIATION: Supply of branded clothing for the 2010 OR Tambo Inter-Municipal Games hosted by WRDM on 19 November 2010 Sedgars R 108, 000.00 36(1)(a)(v) |
| COUNCIL ITEM NR DESCRIPTION AWARDED TO AMOUNT SECTION | K(ii) 4(1/2011) "DEVIATION: Public Participation Unit to utilize the same service providers for Buses, Marquees and Bill Boards for loud hailing, posterizing and pamphlet distribution for IDP and Budget Statutory Public Participation Roadshows of 2011/12 in November 2010 Thaku Thaku Transport CC (Rental for buses) Lenthatile Events and Marketing cc (Rental for Marquees tent and chairs) CheckCoast Productions (Production of bill board adverts, loud hailing, posterizing, pamphlet distribution, removal of posters after roadshows) Maimane Construction and Projects (Production of 1600 posters mounted on corrugated boards) R 42, 560.00 R 85, 500.00 R 166, 212.00 |

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44. Deviation from supply chain management regulations (continued)

| | |
|--------------------------------|---|
| SECTION | R 59, 500.00 36(1)(a)(v) |
| COUNCIL ITEM NR DESCRIPTION | K(ii) 5(4/2011) "DEVIATION: Emergency Repairs: Replace damaged Lattice Structures on the 33kV Condale - Chamdor double circuit transmission line and the replacement of the damaged 33kV circuit breaker in Condale substation |
| AWARDED TO | Siemens Limited |
| AMOUNT | ESPAR cc R 251, 398.28 |
| SECTION | R 1 125, 921.00 36(1)(a)(i) |
| COUNCIL ITEM NR DESCRIPTION | K(ii) 5(4/2011) "DEVIATION: Provision of a Legal Opinion in terms of Council's common law responsibility towards current and former Councilor's outstanding tax issues with SARS Integrasol |
| AWARDED TO | Amount not available yet - will be based on number of hours allocated to task. To be reported once available |
| AMOUNT | Interasol |
| SECTION | 36(1)(a)(v) |
| COUNCIL ITEM NR DESCRIPTION | K(ii) 4(7/2011) "DEVIATION: Appointment of an experienced service provider for the Review of the Organizational Transactional Data and Recovery of Money Comperio Forensic Services (Pty) Ltd |
| AWARDED TO | The fee, exclusive of VAT, will be based on 20% of actual recoverables. Should the company not be able to recover any money, no payment will accrue to the company |
| AMOUNT | Comperio Forensic Services (Pty) Ltd |
| SECTION | 36(1)(a)(v) |
| COUNCIL ITEM NR DESCRIPTION | K(ii) 4(7/2011) "EXTENSION: Emergency repairs to the 33kV Mono Pole Structure Stay-Wire ESPAR cc R 91, 080.00 (excluding VAT) |
| AWARDED TO | 36(1)(a)(i) |
| AMOUNT | |
| SECTION | |
| COUNCIL ITEM NR DESCRIPTION | K(ii) 4(7/2011) "EXTENSION: Extension of contract of Civitas Data Services for a period of 8 months (until Jan 2012) for the rental of Software for the capturing of all direct notices and accidents on the service providers software system |
| AWARDED TO | Civitas Data Services (Pty) Ltd |
| AMOUNT | An average of R 12, 000.00 per month is paid for the service rendered |
| SECTION | 36(1)(a)(v) |
| COUNCIL ITEM NR DESCRIPTION | K(ii) 4(7/2011) "DEVIATION: Appointment of Brilliant Telecommunications to install Cables and Switches (Physical Infrastructure) in remote sites of MCLM |
| AWARDED TO | Brilliant Telecommunications (Pty) Ltd |
| AMOUNT | Actual expenditure amount to be reported at next meeting of Council. Estimate R 986, 801.33 |
| SECTION | 36(1)(a)(v) |
| COUNCIL ITEM NR DESCRIPTION | K(ii) 4(7/2011) "DEVIATION: Appointment of Quill to Expand the Asset Module of the BIQ Financial System in order to comply with GRAP 17 and to link the IMQS Infrastructure Asset Management System to BIQ |
| AWARDED TO | Quill Associates (Pty) Ltd |
| AMOUNT | R 350, 000.00 (excluding VAT) |
| SECTION | 36(1)(a)(ii) |

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44. Deviation from supply chain management regulations (continued)

| | |
|---|---|
| COUNCIL ITEM NR DESCRIPTION | K(ii) 4(7/2011) "DEVIATION: Appointment of a Transaction Advisor on the Risk Sharing Model to Enhance Collection of Mogale City's Debtors Book |
| AWARDED TO AMOUNT SECTION | AloeCap An administration fee of 1% of the gross collection received MCLM be paid to AloeCap 36(1)(a)(ii) |
| COUNCIL ITEM NR DESCRIPTION | K(ii) 4(7/2011) "DEVIATION: Appointment of an Experienced Service Provider for the land use audit of MCLM. The project will be done in phases, starting in Kagiso and the rest of the previously disadvantaged townships and then the rest of Mogale City" |
| AWARDED TO AMOUNT SECTION | Mrs Lizelle Smit (Lecturer - University of Pretoria) R 188, 500.00 (Including VAT) 36(1)(a)(v) |
| COUNCIL ITEM NR DESCRIPTION AWARDED TO AMOUNT SECTION | K(ii) 4(7/2011) "CONDONATION: Backtrack performance fee for Robbie Malinga" Servimate29 Entertainment R 25, 000 36(1)(b) |
| COUNCIL ITEM NR DESCRIPTION AWARDED TO AMOUNT SECTION | K(ii) 4(7/2011) "CONDONATION: 1 000 Business Card Holders" Gositang Construction and Projects R 60, 000 36(1)(b) |
| COUNCIL ITEM NR DESCRIPTION AWARDED TO AMOUNT SECTION | K(ii) 4(7/2011) "CONDONATION: Entertainment (1 X DJ & 2 X artists) Production: Equipment, camera operator, lighting, 50 X MCLM State of the City DVD's" Minatlou Trading 99 R 112, 700.00 36(1)(b) |
| COUNCIL ITEM NR DESCRIPTION AWARDED TO AMOUNT SECTION | K(ii) 4(7/2011) "CONDONATION: Marquee, Audio Visual Equipment, Logistics" TLT Business Enterprises R 218, 385.96 36(1)(b) |
| COUNCIL ITEM NR DESCRIPTION AWARDED TO AMOUNT SECTION | K(ii) 4(7/2011) "CONDONATION OF DEVIATION AND OVER-EXPENDITURE: Rental of furniture, cutlery and crockery and catering for 1 000" K & C Events Management cc R 216, 967.30 36(1)(b) |
| 2010 | |
| COUNCIL ITEM NR DESCRIPTION | K(ii) 5(10/2009) "DEVIATION: Development and implementation of an enhanced Leave Management System for MCLM |
| AWARDED TO AMOUNT SECTION | Integrasol (Pty) Ltd R 121, 325.00 (including VAT) 36(1)(a)(v) |
| COUNCIL ITEM NR | K(ii) 5(04/2010) |

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44. Deviation from supply chain management regulations (continued)

| | |
|-----------------|---|
| DESCRIPTION | "DEVIATION: Data cleansing and matching exercise (valuation roll and revenue system) on the BIQ financial system |
| AWARDED TO | Total Geo-Spatial Information Solutions |
| AMOUNT | Approximate expenditure R 227, 447.00 (incl VAT) at a rate of R15 and R50 per entry/record for 1st and 2nd phase of the project |
| SECTION | 36(1)(a)(v) |
| COUNCIL ITEM NR | K(ii) 2(07/2010) |
| DESCRIPTION | "DEVIATION: Appointment of experienced service provider for the Reconciliation of Reducing of Value Added Tax Liability (VAT) for MCLM" |
| AWARDED TO | Maximum Profit Recovery (Pty) Ltd |
| AMOUNT | Fee structure to be based on a percentage of all savings to MCLM |
| SECTION | 36(1)(a)(v) |
| COUNCIL ITEM NR | K(ii) 2(07/2010) |
| DESCRIPTION | "DEVIATION: Management of the Leave Management system" |
| AWARDED TO | Integrasol Continuum CA (SA) |
| AMOUNT | |
| SECTION | 36(1)(a)(v) |
| COUNCIL ITEM NR | K(ii) 9(01/2010) |
| DESCRIPTION | "DEVIATION: Facilitation of a 2 day Strategic Planning Workshop for review of MCLM's strategic plan" |
| AWARDED TO | Group Dynamics |
| AMOUNT | R 57, 000.00 (including VAT) |
| SECTION | 36(1)(a)(v) |
| COUNCIL ITEM NR | K(ii) 5(04/2010) |
| DESCRIPTION | "DEVIATION: Additional cost incurred iro Design and Printing of the 07/08 Annual Report and 09/10 IDP/Budget and SDBIP of MCLM" |
| AWARDED TO | Ukhosa Design |
| AMOUNT | 08/09 Annual report R 41, 268.00 |
| SECTION | 36(1)(b) |
| COUNCIL ITEM NR | K(ii) 2(07/2010) |
| DESCRIPTION | "DEVIATION: Purchase of computers and laptops" |
| AWARDED TO | Maponya Business Technologies |
| AMOUNT | Notebooks: R 200, 035.62 |
| SECTION | Desktops: R 438, 691.67 |
| COUNCIL ITEM NR | 36(1)(a)(v) |
| DESCRIPTION | |
| AWARDED TO | |
| AMOUNT | |
| SECTION | |
| COUNCIL ITEM NR | K(ii) 5(10/2009) |
| DESCRIPTION | "DEVIATION: Appointment of service provider for the waste collection and street cleaning during the municipal strike period" |
| AWARDED TO | Willturnkey Construction and Refurbishment |
| AMOUNT | R 886, 045.16 (Including VAT) |
| SECTION | 36(1)(a)(i) |
| COUNCIL ITEM NR | K(ii) 2(07/2010) |
| DESCRIPTION | "CONDONATION AND EXTENSION: Compliance Monitoring as an Independent Environmental Control Officer with regard to Rangeview Water Reservoir Project - Q DIEM 03/2007 |
| AWARDED TO | Sivest Environmental |
| AMOUNT | Condonation for exceeding approved quotation by R 70, 205.08 |
| SECTION | Extension of contract with R 47, 406.00 for finalisation |
| COUNCIL ITEM NR | 36(1)(a)(v) |

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44. Deviation from supply chain management regulations (continued)

| | |
|-----------------|--|
| COUNCIL ITEM NR | K(ii) 2(07/2010) |
| DESCRIPTION | "DEVIATION: Hosting of 13th iLGM Annual National Conference 18 - 20 November 2009 |
| AWARDED TO | Silver Star Casino |
| AMOUNT | R 727, 466.00 (Including VAT) |
| SECTION | 36(1)(a)(ii) |
| COUNCIL ITEM NR | K(ii) 2(07/2010) |
| DESCRIPTION | "DEVIATION: Appointment of a Human Resource Administrator on a temporary basis until 30 June 2010" |
| AWARDED TO | Madyatshamile Holdings (Pty) Ltd |
| AMOUNT | R 48, 000.00 per month including agency fees but excluding VAT and work related traveling outside Gauteng (until 30 June 2010) |
| SECTION | 36(1)(a)(v) |
| COUNCIL ITEM NR | K(ii) 5(04/2010) |
| DESCRIPTION | "DEVIATION: Supply, Delivery and Installation of a Recording System and Audio Visuals in the Council Chambers as a matter of urgency" |
| AWARDED TO | Vital Change Trading |
| AMOUNT | R 649, 893.75 (Including VAT) |
| SECTION | 36(1)(a)(v) |
| COUNCIL ITEM NR | K(ii) 5(10/2009) |
| DESCRIPTION | "DEVIATION: Approval to conduct a Leica LiDAR Topographical Survey for MCLM" |
| AWARDED TO | Southern Mapping (Pty) Ltd |
| AMOUNT | Amount not to exceed R 2, 500 000.00 (Excluding VAT) |
| SECTION | 36(1)(a)(v) |
| COUNCIL ITEM NR | K(ii) 5(10/2009) |
| DESCRIPTION | "DEVIATION for utilization of 10 X sedan vehicles for Public Safety from Avis Car rentals for a period of 4 months" |
| AWARDED TO | Avis Car Rental |
| AMOUNT | R 120, 000.00 (Including VAT) |
| SECTION | 36(1)(a)(v) |
| COUNCIL ITEM NR | K(ii) 9(01/2010) |
| DESCRIPTION | "DEVIATION: Ad-hoc Replacement and/or repair of specialized distribution equipment" |
| AWARDED TO | Radikhudu Construction Projects |
| AMOUNT | R 73, 680.00 (Including VAT) |
| SECTION | 36(1)(a)(i) |
| COUNCIL ITEM NR | K(ii) 9(01/2010) |
| DESCRIPTION | "EXTENSION of contracts with Multi - Waste, AVIS, Debis Fleet until 30 June 2010 and secure 6 additional compactor trucks" |
| AWARDED TO | Multi-Waste - 6 X compactor trucks |
| AMOUNT | AVIS - 10 X sedans, Landfill Equipment - 1 landfill compactor Debis Fleet - 3 X Roll-on trucks and 1 crane truck Sula Smart Supplier Services - 6 compactor trucks R 97, 470.00 per month (Excluding VAT) and R 510.00 per hour for overtime and public holidays R 126, 000.00 per month (Excluding VAT) R 94, 000.00 per truck (Including VAT, insurance, maintenance and driver) |
| SECTION | 36(1)(a)(v) |
| COUNCIL ITEM NR | K(ii) 9(01/2010) |
| DESCRIPTION | "DEVIATION: Appointment of Consulting engineer for the Design, specifications of material & equipment and project management for projects related to the 33 000 volt Main Distribution Network" |
| AWARDED TO | Steward Scott Industrial Engineers (SSI) |

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44. Deviation from supply chain management regulations (continued)

| | |
|-----------------|---|
| AMOUNT | Consulting engineering fees will be lower than the normal SAACE fees and exact cost will be based on professional time and cost |
| SECTION | 36(1)(a)(v) |
| COUNCIL ITEM NR | K(ii) 9(01/2010) |
| DESCRIPTION | "DEVIATION: Additional work required in the Sealing for Water Tightness of the Munsieville Reservoir in terms of tender I (W&S) 35/2009" |
| AWARDED TO | Con Solve Civils CC |
| AMOUNT | R 575, 529.00 (Including VAT) |
| SECTION | 36(1)(a)(v) |
| COUNCIL ITEM NR | K(ii) 5(04/2010) |
| DESCRIPTION | "EXTENSION of current contract with Amasondo fleet as to ensure the services of 14 specified vehicles up to 30 June 2010" |
| AWARDED TO | Amasondo Fleet Services |
| AMOUNT | Approx R 130, 000.00 per month (Including VAT) from Jan to 30 June 2010 |
| SECTION | 36(1)(a)(v) |
| COUNCIL ITEM NR | K(ii) 5(04/2010) |
| DESCRIPTION | "EXTENSION of current contracts with various service providers as to ensure the services of 21 specified vehicles up to 30 June 2010" |
| AWARDED TO | Avis - 10 Sedans Multi waste - 6 compactors Landfill - 1 Tana Debis Fleet - 3 Roll-ons and 1 crane truck Sula Smart (new contract) - 6 add compactors |
| AMOUNT | R 97, 470.00 per month (Excluding VAT) R 126, 000.00 per month (Excluding VAT) R 94, 000.00 per truck (Including VAT) |
| SECTION | From end of Feb to 30 June 2010 36(1)(a)(v) |
| COUNCIL ITEM NR | K(ii) 2(07/2010) |
| DESCRIPTION | "DEVIATION: Emergency Repairs: Condale Substation Transformer 3 - Faulty on-load Tap changer" |
| AWARDED TO | Siemens Limited |
| AMOUNT | R 680, 785.64 (Excluding VAT) |
| SECTION | 36(1)(a)(i) |
| COUNCIL ITEM NR | K(ii) 2(07/2010) |
| DESCRIPTION | "DEVIATION: Emergency Repairs: Chamdor Substation - Faulty 6.6kV vacuum circuit breakers" |
| AWARDED TO | Megatron Federal (Pty) Ltd |
| AMOUNT | R 122, 400.00 (Excluding VAT) |
| SECTION | 36(1)(a)(ii) |
| COUNCIL ITEM NR | K(ii) 2(07/2010) |
| DESCRIPTION | "DEVIATION: Sealing of Water tightness of the Munsieville Reservoir tender I (W&S) 35/2009" |
| AWARDED TO | Consolve Civils CC |
| AMOUNT | Joint sealing: R 170 253.00 Spall repairs: R 243, 538.00 Roof repairs: R 161, 737.00 (Including VAT) |
| SECTION | 36(1)(a)(v) |
| COUNCIL ITEM NR | K(ii) 2(07/2010) |
| DESCRIPTION | "DEVIATION: Maintenance of Bulk Water and waste water equipment tender I(W&S) 04/2010 |

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44. Deviation from supply chain management regulations (continued)

| | |
|-----------------|--|
| AWARDED TO | Tecroveer (Pty) Ltd |
| AMOUNT | R 5, 159 849.34 (Including VAT) |
| SECTION | 36(1)(a)(i) |
| COUNCIL ITEM NR | K(ii) 5(04/2010) |
| DESCRIPTION | "DEVIATION: Granting of Freedom of the City to the President of Twelve Apostolic Church, Chief Apostle Dr C Nongqunga" |
| AWARDED TO | Lenthatile Events and Marketing: Hire of marquee Hiring of chair Hiring of public toilets 400 Name tags |
| AMOUNT | Gen-Joy Cookers: Decorations R 184, 096.00 |
| SECTION | R 19, 000.00 36(1)(a)(v) |
| COUNCIL ITEM NR | K(ii) 2(07/2010) |
| DESCRIPTION | "DEVIATION: Execution of 2010 Project Implementation Plan" |
| AWARDED TO | Khalipha Entertainment |
| AMOUNT | Approximate expenditure of R 5, 501 000.00 |
| SECTION | 36(1)(a)(v) |
| COUNCIL ITEM NR | K(ii) 5(04/2010) |
| DESCRIPTION | "EXTENSION of tender PS 01/2005 and renting of software for a period of one year" |
| AWARDED TO | Total Client Services Civitas Data Services |
| AMOUNT | 43% of income received Once off payment of R 65, 000.00 for license fees. R1.70 (Excluding VAT) per hand written or camera violation captured on the system |
| SECTION | 36(1)(a)(v) |
| COUNCIL ITEM NR | K(ii) 5(04/2010) |
| DESCRIPTION | "DEVIATION: Supply and Installation of Blue Lights and Two Way Communication Radios for 30 X Public Safety vehicles as supplied by G-Fleet |
| AWARDED TO | Signal Systems (Pty) Ltd |
| AMOUNT | Blue Lights: R 5, 950.00 per system |
| SECTION | Two way radio: R 3, 320.00 per system (for 30 vehicles) 36(1)(a)(v) |
| COUNCIL ITEM NR | K(ii) 5(10/2009) |
| DESCRIPTION | "CONDONATION: Placement of advertisement in the City Press on 14 June 2009 for the filling of vacancies in MCLM" |
| AWARDED TO | Parks Communications |
| AMOUNT | R 105, 636.96 (Including VAT) |
| SECTION | 36(1)(b) |
| COUNCIL ITEM NR | K(ii) 5(10/2009) |
| DESCRIPTION | "CONDONATION of expenditure incurred in terms of the extension of the Least Cost routing contract" |
| AWARDED TO | Brilliant Telecommunications (Pty) Ltd |
| AMOUNT | July 2009 R 278, 086.35 Aug 2009 R 320, 303.25 Sept 2009 R 9, 616.08 (Maintenance only) |
| SECTION | 36(1)(a)(v) |
| COUNCIL ITEM NR | K(ii) 5(04/2010) |
| DESCRIPTION | "CONDONATION of expenditure incurred in terms of Q 09/2007; Pauper and Indigent Burials" |

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44. Deviation from supply chain management regulations (continued)

| | | |
|-----------------|---|--|
| AWARDED TO | Tlholoe's Funeral Parlour | |
| AMOUNT | Condonement of over-expenditure amounting to R 15, 011.06 Permission to pay outstanding invoices for R 25, 906.05 | |
| SECTION | Approval for any additional expenditure incurred until July 2010 (new tender) 36(1)(a)(v) | |
| COUNCIL ITEM NR | K(ii) 5(4/2010) | |
| DESCRIPTION | "CONDONATION of payment for services rendered for the supply of 3 refuse compactors to the Waste Management section" | |
| AWARDED TO | Sula Smart and Supply Services | |
| AMOUNT | R 337, 500.00 | |
| SECTION | 36(1)(a)(i) | |
| COUNCIL ITEM NR | K(ii) 2(07/2010) | |
| DESCRIPTION | "CONDONATION of expenditure incurred not in contract I(W&S) 02/2008 Hire of Vacuum Tankers for a period of three years" | |
| AWARDED TO | JetVac Johannesburg | |
| AMOUNT | R 206, 013.39 (Including VAT) | |
| SECTION | 36(1)(a)(v) | |
| COUNCIL ITEM NR | K(ii) 2(07/2010) | |
| DESCRIPTION | "CONDONATION for payment of rental of additional refuse compactors during December 2009" | |
| AWARDED TO | Debis Fleet | |
| AMOUNT | R 149, 864.40 | |
| SECTION | 36(1)(a)(v) | |
| COUNCIL ITEM NR | K(ii) 5(10/2009) | |
| DESCRIPTION | "EXTENSION of tender I (F) 01/2006 Leasing of 14 vehicles from Amasondo Fleet Services for a period of six months" | |
| AWARDED TO | Amasondo Fleet Services | |
| AMOUNT | R 778, 241.04 | |
| SECTION | 36(1)(a)(v) | |
| COUNCIL ITEM NR | K(ii) 2(07/2010) | |
| DESCRIPTION | "CONDONATION for additional expenditure incurred for design, layout and printing of 07/08 Annual Report" | |
| AWARDED TO | Okusha Designs CC | |
| AMOUNT | R 239, 749.98 | |
| SECTION | 36(1)(b) | |
| COUNCIL ITEM NR | K(ii) 2(07/2010) | |
| DESCRIPTION | "EXTENSION of current contract with Amasondo Fleet Services up to end of June 2010" | |
| AWARDED TO | Amasondo Fleet Services | |
| AMOUNT | Approximately R 130, 000.00 per month (Including VAT) | |
| SECTION | 36(1)(a)(v) | |
| COUNCIL ITEM NR | K(ii) 2(07/2010) | |
| DESCRIPTION | "EXTENSION: Supply, delivery and installation of all concrete palisade fencing requirements for MCLM for a period of three years (IEM 01/2008)" | |
| AWARDED TO | Rideka Construction | |
| AMOUNT | R 510.00 (Excluding VAT) per running meter | |
| SECTION | 36(1)(a)(v) | |
| COUNCIL ITEM NR | K(ii) 2(07/2010) | |
| DESCRIPTION | "EXTENSION of various contracts for the rental and leasing of vehicles for a period of 6 months (July to Dec 2010)" | |
| AWARDED TO | Multi Waste Florida (6 X refuse compactors Landfill equipment) | |

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44. Deviation from supply chain management regulations (continued)

| | |
|---------|---|
| | (1 X landfill compactor) |
| | Debis Fleet Management (1 X 16 ton crane truck) |
| | (3 X roll-on trucks) |
| | Amasondo (3 X tipper trucks) |
| | (5 drop side trucks) |
| | (1 X cherry picker) |
| | (5 X tractors) |
| AMOUNT | Approx. R 4.2M |
| | R 900, 000.00 |
| | R 1.2M |
| SECTION | R 900, 000.00 (for a period of 6 months) |
| | 36(1)(a)(v) |

45. Capital commitments

Capital commitments

| | | |
|----------------|-------------------|------------------|
| Infrastructure | 39,095,012 | 3,530,570 |
| Community | 9,222,895 | 552,775 |
| Heritage | 418,415 | 557,671 |
| Other | 6,022,517 | 572,849 |
| | 54,758,839 | 5,213,865 |

Financed by

| | | |
|-------------------|-------------------|------------------|
| Revenue | - | 1,290,191 |
| Government grants | 19,845,413 | 3,919,101 |
| Other | - | 4,573 |
| Loan | 34,913,426 | - |
| | 54,758,839 | 5,213,865 |

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46. Statement of comparative and actual information

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| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Virement (i.t.o.council approved) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|------------------------|--|---|--------------------------|------------------------|--------------------------|---------------------|--|---|
| Financial Performance | | | | | | | | | |
| Property rates | 255,695,725 | 225,946,601 | | 225,946,601 | 229,601,032 | | (3,654,431) | 102 % | 90 % |
| Service charges | 814,637,182 | 804,044,888 | | 804,044,888 | 790,204,861 | | 13,840,027 | 98 % | 97 % |
| Investment revenue | 2,939,784 | 2,272,052 | | 2,272,052 | 7,454,307 | | (5,182,255) | 328 % | 254 % |
| Transfers recognised - operational | 195,103,039 | 195,607,967 | | 195,607,967 | 247,344,434 | | (51,736,467) | 126 % | 127 % |
| Other own revenue | 87,696,082 | 80,015,380 | | 80,015,380 | 80,982,857 | | (967,477) | 101 % | 92 % |
| Total revenue (excluding capital transfers and contributions) | 1,356,071,812 | 1,307,886,888 | | 1,307,886,888 | 1,355,587,491 | | (47,700,603) | 104 % | 100 % |
| Employee costs | (382,976,380) | (382,738,454) | - | (382,738,454) | (373,286,654) | - | (9,451,800) | 98 % | 97 % |
| Remuneration of councillors | (16,943,382) | (17,006,927) | - | (17,006,927) | (16,313,074) | - | (693,853) | 96 % | 96 % |
| Debt impairment | (99,907,885) | (89,005,020) | | (89,005,020) | (42,072,351) | - | (46,932,669) | 47 % | 42 % |
| Depreciation and asset impairment | (10,532,804) | (10,453,189) | | (10,453,189) | (209,453,734) | - | 199,000,545 | 2,004 % | 1,989 % |
| Finance charges | (20,994,321) | (23,300,395) | - | (23,300,395) | (32,836,804) | - | 9,536,409 | 141 % | 156 % |
| Materials and bulk purchases | (399,512,109) | (407,512,109) | - | (407,512,109) | (437,900,851) | - | 30,388,742 | 107 % | 110 % |
| Transfers and grants | (5,432,712) | (5,617,319) | - | (5,617,319) | (4,739,136) | - | (878,183) | 84 % | 87 % |
| Other expenditure | (321,532,384) | (372,253,474) | - | (372,253,474) | (357,874,933) | - | (14,378,541) | 96 % | 111 % |
| Total expenditure | (1,257,831,977) | (1,307,886,887) | | - (1,307,886,887) | (1,474,477,537) | - | 166,590,650 | 113 % | 117 % |
| Total revenue (excluding capital transfers and contributions) | 1,356,071,812 | 1,307,886,888 | | - 1,307,886,888 | 1,355,587,491 | - | (47,700,603) | 104 % | 100 % |
| Total expenditure | (1,257,831,977) | (1,307,886,887) | | - (1,307,886,887) | (1,474,477,537) | - | 166,590,650 | 113 % | 117 % |
| Surplus/(Deficit) | 98,239,835 | 1 | | 1 | (118,890,046) | | 118,890,047 | ,889,004,600)% | (121)% |

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Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Virement (i.t.o.council approved) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|--------------------|--|---|-------------------|----------------------|--------------------------|--------------------|-------------------------------------|--|
| Transfers recognised - capital | 103,659,068 | 97,405,828 | | 97,405,828 | 13,461,846 | | 83,943,982 | 14 % | 13 % |
| Contributions recognised - capital and contributed assets | 12,431,488 | - | | - | - | | - | DIV/0 % | - % |
| Surplus/(Deficit) | 98,239,835 | 1 | - | 1 | (118,890,046) | | - | 118,890,047,889,004,600)% | (121)% |
| Capital transfers and contributions | 116,090,556 | 97,405,828 | - | 97,405,828 | 13,461,846 | - | 83,943,982 | 14 % | 12 % |
| Surplus (Deficit) after capital transfers and contributions | 214,330,391 | 97,405,829 | | 97,405,829 | (105,428,200) | | 202,834,029 | (108)% | (49)% |
| Surplus (Deficit) after capital transfers and contributions | 214,330,391 | 97,405,829 | - | 97,405,829 | (105,428,200) | - | 202,834,029 | (108)% | (49)% |
| Surplus/(Deficit) for the year | 214,330,391 | 97,405,829 | | 97,405,829 | (105,428,200) | | 202,834,029 | (108)% | (49)% |

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|--|---------------------|--|---|---------------------|---------------------|--------------------------|-----------------|-------------------------------------|--|
| Capital expenditure and funds sources | | | | | | | | | |
| Total capital expenditure | 214,330,391 | 200,044,035 | | - 200,044,035 | 314,278,106 | | - (114,234,071) | 157 % | 147 % |
| Cash flows | | | | | | | | | |
| Net cash from (used) operating | 219,749,056 | 219,749,056 | | 219,749,056 | 219,749,056 | | - | 100 % | 100 % |
| Net cash from (used) investing | (324,905,929) | (324,905,929) | | (324,905,929) | (324,905,929) | | - | 100 % | 100 % |
| Net cash from (used) financing | 55,501,856 | 55,501,856 | | 55,501,856 | 55,501,856 | | - | 100 % | 100 % |
| Cash/cash equivalents at the year end | (49,655,017) | (49,655,017) | | (49,655,017) | (49,655,017) | | - | 100 % | 100 % |

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